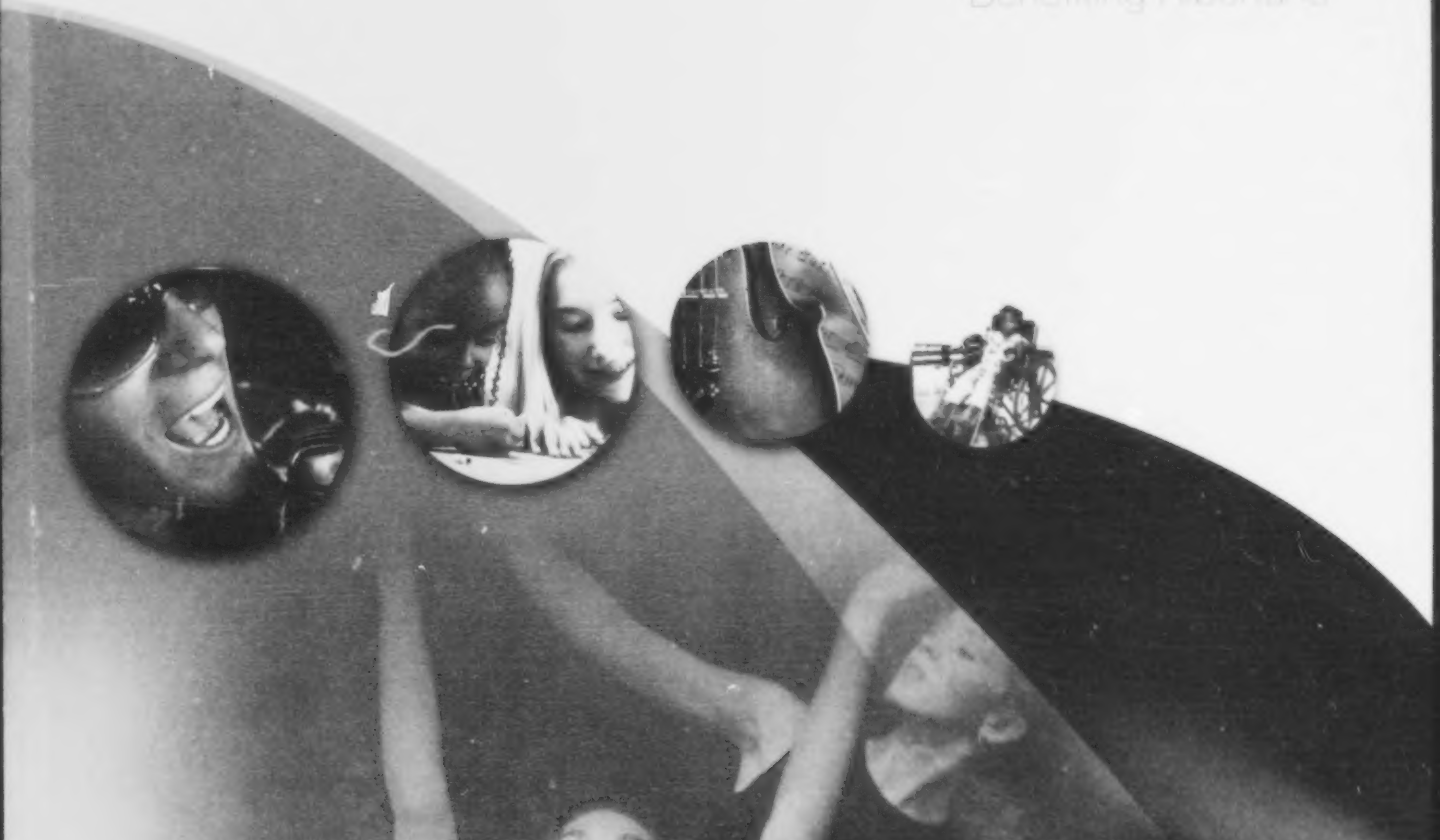
Alberta Gaming | 2003-2004 Annual Report

Benefiting Albertans



Alberta Advantage

ALBERTA
LOTTERY FUND

Alberta
GAMING

ALBERTA
LOTTERY FUND

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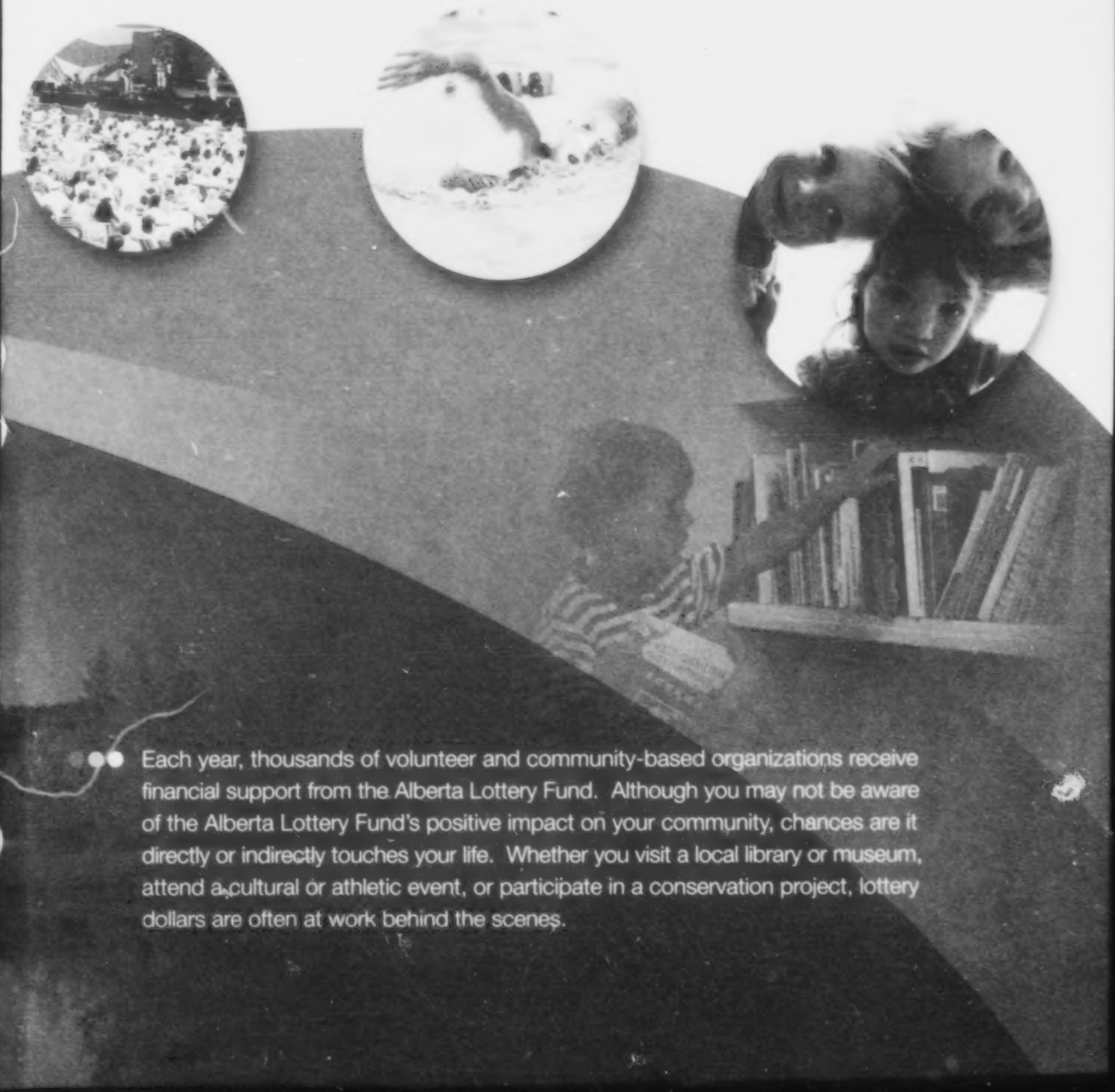

Each year, thousands of volunteer and community-based organizations receive financial support from the Alberta Lottery Fund. Although you may not be aware of the Alberta Lottery Fund's positive impact on your community, chances are it directly or indirectly touches your life. Whether you visit a local library or museum, attend a cultural or athletic event, or participate in a conservation project, lottery dollars are often at work behind the scenes.

Year at a Glance
2003-2004

Liquor	2003-2004	2002-2003
Liquor Revenue ($ millions)	**559**	**535**
Liquor Licences by Class		
Class A (open to public for consumption and sale of liquor)	5,189	5,131
Class B (open to those who paid entrance fee, purchased ticket, or entitled to use the facility)	508	506
Class C (premises restricted to members or other individuals)	774	763
Class D (for sale of liquor to be consumed off the premises)	1,665	1,619
Class E (for manufacture of liquor in Alberta)	15	16
	8,151	**8,035**
Liquor Retail Outlets		
Private retail liquor stores	950	910
General merchandise	89	86
	1,039	**996**
Liquor Products Available	**11,688**	**11,138**
Liquor Sales by Volume (hectolitres)		
Spirits	200,207	189,985
Wine	218,580	204,090
Coolers/Cider	143,810	140,490
Beer	2,310,238	2,229,580
	2,872,835	**2,764,145**

Gaming	2003-2004	2002-2003
Provincial Lotteries Revenue ($ millions)		
VLTs	577	594
Slot machines	479	405
Ticket lottery	172	175
Electronic bingo	1	-
	1,229	**1,174**
Gaming Venues		
Bingo association halls	53	56
Charitable casino facilities	16	16
Racing Entertainment Centres	3	2
Ticket lottery centres	2,100	2,111
Locations with VLTs	1,139	1,179
Charitable Gaming Licences Issued		
Bingo	1,281	1,577
Casino	2,962	2,923
Pull-ticket	262	371
Raffle	320	317
	4,825	**5,188**
Charitable Gaming Revenue to Charities ($ millions)		
Casino	133	122
Bingo	44	46
Raffle	39	30
Pull-ticket	10	8
	226	**206**

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Public Accounts 2003-2004

Preface

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 24 Ministries.

The annual report of the Government of Alberta released June 29, 2004, contains the Minister of Finance's accountability statement, the consolidated financial statements of the Province and a comparison of the actual performance results to desired results set out in the government's business plan, including the *Measuring Up* report.

This annual report of the Ministry of Gaming contains the Minister's accountability statement, the audited consolidated financial statements of the Ministry and a comparison of actual performance results to desired results set out in the ministry business plan. This Ministry annual report also includes:

- the financial statements of entities making up the Ministry including the Department of Gaming, the Alberta Gaming and Liquor Commission, and the Alberta Lottery Fund, for which the Minister is responsible, and

- other financial information as required by the *Financial Administration Act* and *Government Accountability Act*, either as separate reports or as a part of the financial statements, to the extent that the Ministry has anything to report.

Minister's Accountability Statement

The Ministry's Annual Report for the year ended March 31, 2004, was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at September 3, 2004 with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

Ron Stevens, QC
Minister of Gaming

Message from the Minister

Fresh new ideas blended with sound existing policies have once again put Alberta Gaming in an enviable position this year. Alberta has always been a province where the qualities of inventiveness and enterprise are esteemed. Alberta Gaming has tapped into these qualities to refresh our programs to reflect the changing perspectives of Albertans while remaining true to our commitments to social responsibility and integrity.

Alberta has always been progressive in the way we manage gaming and liquor. Ten years ago, the Government of Alberta began a new era with the privatization of liquor retail. After 10 years of privatization, Albertans have seen tangible benefits for both the province and Albertans. New jobs, capital and other industry activity enhanced the economy; while Albertans were provided with more choices, convenience, and competitive prices. Alberta's private liquor retail model remains the only one of its kind in Canada, and the model this government remains firmly committed to today.

Blending choice with innovation, changes were made that enabled patrons to bring their own wine to restaurants. The Bring Your Own Wine (BYOW) guidelines have been lauded by many in the province, and other provinces are now considering permitting this service as well. A policy was also made that requires establishments to recork partially consumed bottles of wine to promote responsible alcohol consumption.

Alberta boasts another one-of-a-kind model. Alberta is the only jurisdiction in Canada where the licensed charities receive funding directly from the revenues generated by gaming. Alberta's distinctive gaming model returns nearly $400 million dollars to the charitable sector to support valuable projects and initiatives, which includes over $200 million dollars earned directly by charities.

To reinforce our commitment to bring maximum benefits to charities, policies on eligibility for gaming licenses and use of proceeds were reviewed and recommendations were made by an MLA review committee. Based on these recommendations, the AGLC revised policies and Alberta's unique charitable gaming model was improved. The policies now bring together the existing charitable gaming standards and eligibility rules in a consistent and concise manner. Charitable groups are also offered training and information through the new GAIN program, which gives charities the information they need to maximize their benefits in a way that they can understand. Having easy to read and understand policies serve to better inform our stakeholders. This intensifies our pledge to be transparent and accountable.

Message from the Minister

Bingo has long been a vital part of Alberta's charitable gaming model. Changes to the Bingo Terms and Conditions were made after extensive consultations with stakeholders. The changes ensure that licensed charities will receive the maximum benefits from the events they participate in. In efforts to revitalize the industry, Keno and DIGI Bingo were also introduced this year.

The Alberta Lottery Fund was there to benefit Albertans this year. Over a billion dollars from the Lottery Fund went to work in communities around Alberta building libraries, women's shelters, museums and sports facilities among its many sponsored projects. Overall, the Lottery Fund supports thousands of volunteer groups and public and community-based initiatives every year.

Benefiting Albertans through the Alberta Lottery Fund goes beyond the facilities and programs and strikes at the heart of the Alberta advantage by supporting things that improve the quality of life for Albertans.

The significant accomplishments of Alberta Gaming over this past year are due to a committed, dedicated, and dynamic group of people who are making sure the gaming and liquor industries do benefit – and reflect the views – of all Albertans. Our challenge over the coming year is to continue to manage the gaming and liquor industries in an effective and efficient manner, and to continue to blend new and innovative ideas with our promise to be socially responsible and accountable.

Ron Stevens, QC
Minister of Gaming

ALBERTA
LOTTERY FUND

Management's Responsibility for Reporting

The Ministry of Gaming includes the Department of Gaming, the Alberta Gaming and Liquor Commission, the Alberta Lottery Fund and the Alberta Gaming Research Council. The Minister is also responsible for the *Horse Racing Alberta Act* and the Racing Appeal Tribunal.

The executives of the individual entities within the Ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives and respective boards ensure the Ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and business plans, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry rests with the Minister of Gaming. Under the direction of the Minister I oversee the preparation of the Ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with the government's stated accounting policies.

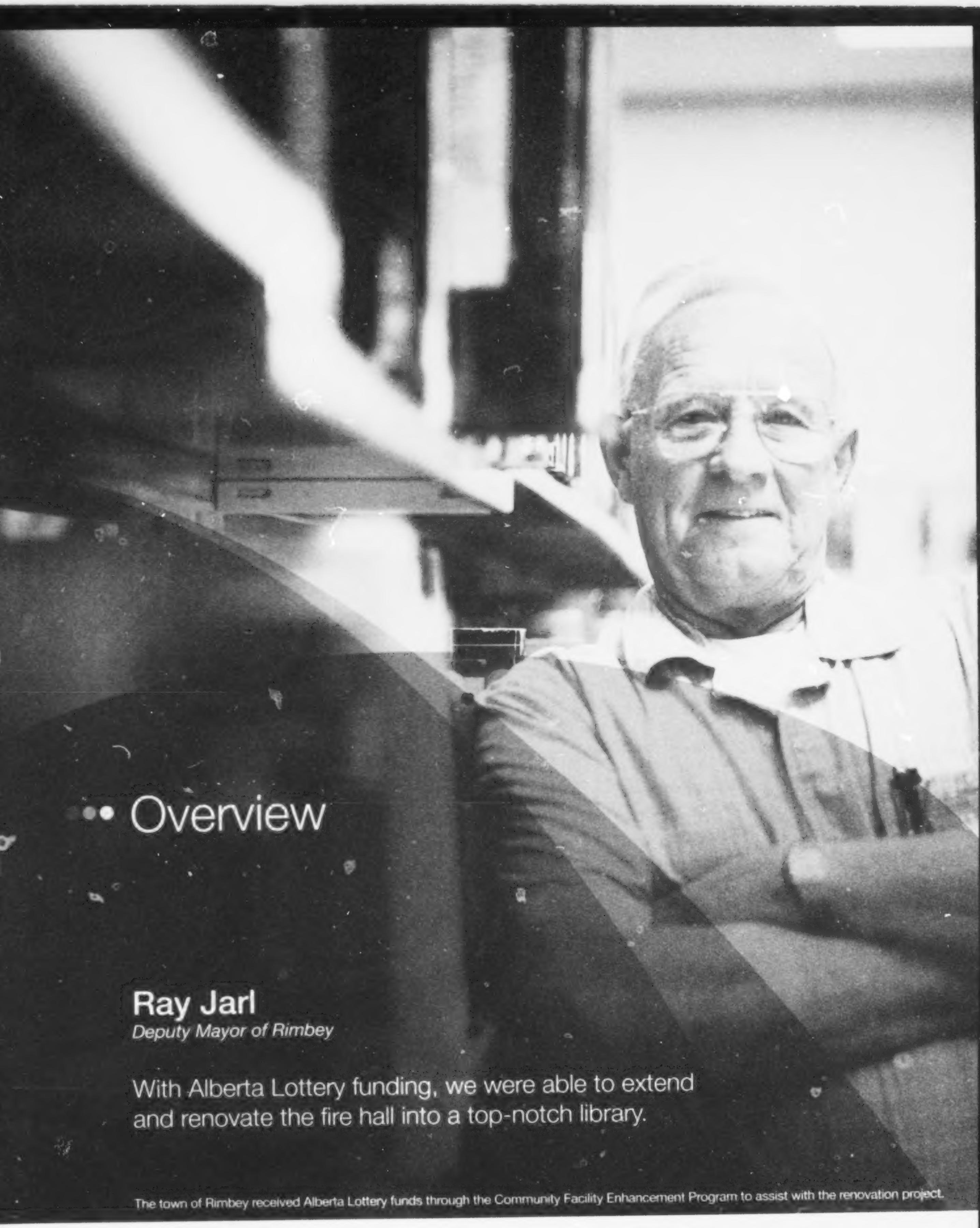
As Deputy Minister, in addition to program responsibilities, I establish and maintain the Ministry's financial administration and reporting functions. The Ministry maintains systems of financial management and internal control which give consideration to costs, benefits, and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money,
- provide information to manage and report on performance,
- safeguard the assets and properties of the Province under Ministry administration,
- provide Executive Council, Treasury Board, the Minister of Finance and the Minister of Gaming any information needed to fulfill their responsibilities, and
- facilitate preparation of Ministry business plans and annual reports required under the *Government Accountability Act*.

In fulfilling my responsibilities for the Ministry, I have relied, as necessary, on the executive of the individual entities within the Ministry.

Norman C. Peterson
Deputy Minister
Ministry of Gaming

September 3, 2004



Overview

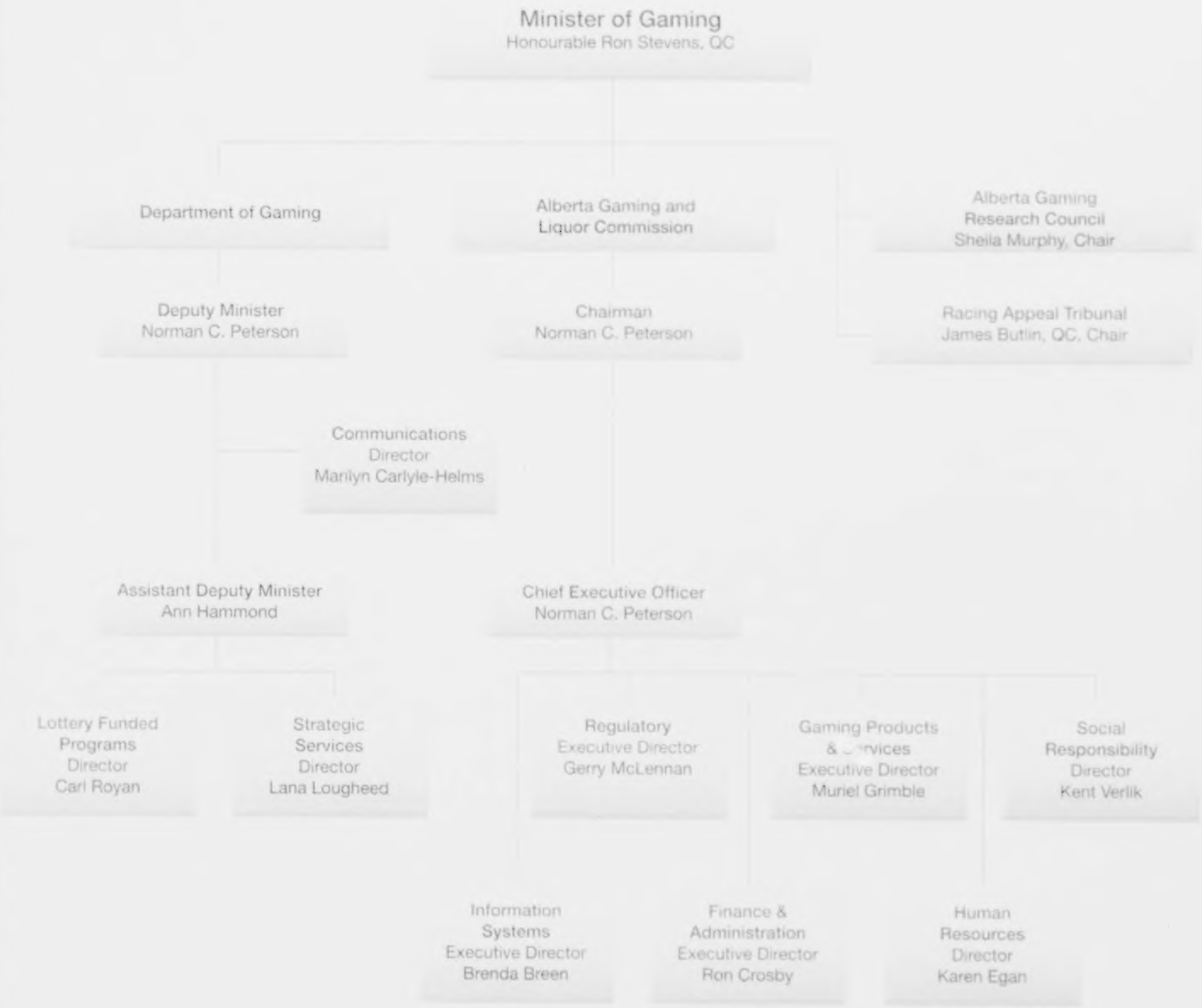
Ray Jarl
Deputy Mayor of Rimbey

With Alberta Lottery funding, we were able to extend and renovate the fire hall into a top-notch library.

The town of Rimbey received Alberta Lottery funds through the Community Facility Enhancement Program to assist with the renovation project.

Overview

Organization Chart



Minister of Gaming
Honourable Ron Stevens, QC

Department of Gaming

Deputy Minister
Norman C. Peterson

Communications
Director
Marilyn Carlyle-Helms

Assistant Deputy Minister
Ann Hammond

Lottery Funded
Programs
Director
Carl Royan

Strategic
Services
Director
Lana Lougheed

Alberta Gaming and
Liquor Commission

Chairman
Norman C. Peterson

Chief Executive Officer
Norman C. Peterson

Regulatory
Executive Director
Gerry McLennan

Gaming Products
& Services
Executive Director
Muriel Grimble

Social
Responsibility
Director
Kent Verlik

Information
Systems
Executive Director
Brenda Breen

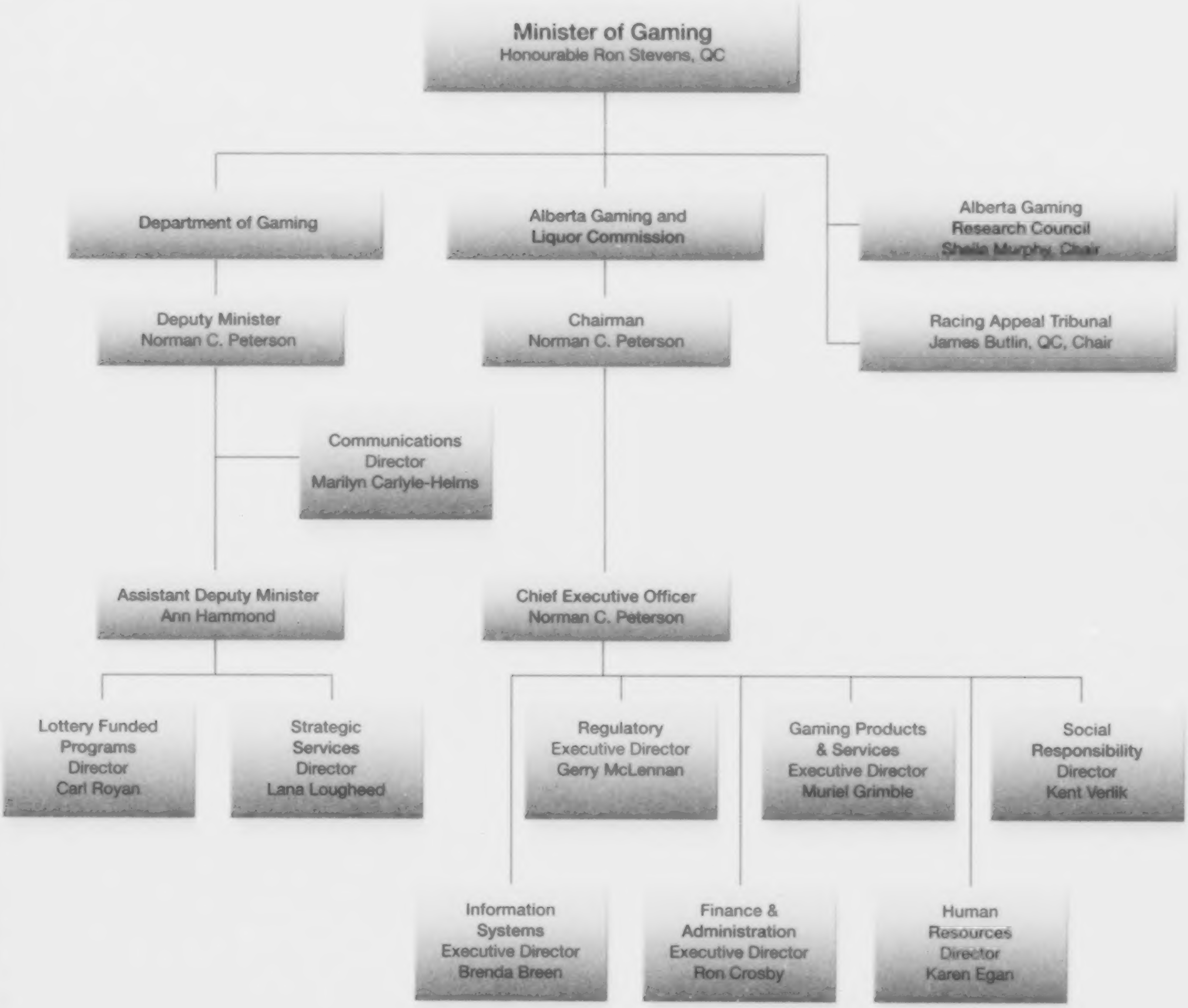
Finance &
Administration
Executive Director
Ron Crosby

Human
Resources
Director
Karen Egan

Alberta Gaming
Research Council
Sheila Murphy, Chair

Racing Appeal Tribunal
James Butlin, QC, Chair

Overview
Organization Chart



Overview
Ministry of Gaming

The Minister of Gaming is responsible for the Department of Gaming, the Alberta Gaming and Liquor Commission, the Alberta Lottery Fund, the Alberta Gaming Research Council and the Racing Appeal Tribunal. The Ministry is also responsible for the *Gaming and Liquor Act* and *Horse Racing Alberta Act*.

Department of Gaming

The responsibilities of the Department of Gaming include lottery funded programs, communications and overall strategic services for gaming and liquor activities in the province.

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Contact: **Ann Hammond, Assistant Deputy Minister**
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Lottery Funded Programs

The Lottery Funded Programs Division is responsible for lottery-funded programs administered by Alberta Gaming. Two key programs are the:

- Community Facility Enhancement Program, which provides financial assistance to build, purchase, repair, renovate or upgrade public-use facilities in Alberta communities; and
- Community Initiatives Program, which supports smaller, project-based initiatives in areas such as community services, seniors' services, libraries, arts and culture, and sports and recreation.

In addition, the Division also administers programs that support agricultural and economic initiatives. These support major Alberta exhibitions such as the Calgary Exhibition and Stampede and Edmonton Northlands, and regional exhibitions in Camrose, Grande Prairie, Lethbridge, Lloydminster, Medicine Hat, Olds and Red Deer.

In coordination with the Alberta Gaming and Liquor Commission, the Division administers the flow through of certain gaming revenues to specific beneficiaries. These programs include the racing industry renewal, proceeds from electronic bingo and keno, and NHL ticket lotteries.

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Phone: (780) 447-8810
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Communications

The Communications Division plans and coordinates external and internal communications and supports the Ministry in media relations and issues management.

Contact: **Marilyn Carlyle-Helms, Director**
Phone: (780) 447-8719
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E-mail: marilyn.carlyle-helms@aglc.gov.ab.ca

Strategic Services

Strategic Services is responsible for strategic policy, business planning, performance measures, financial planning and coordination and Freedom of Information and Protection of Privacy services for the Ministry. The Division also provides administrative support to the Alberta Gaming Research Council.

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Alberta Gaming and Liquor Commission

The Alberta Gaming and Liquor Commission (AGLC) is a commercial enterprise and an agent of the Government of Alberta. The AGLC consists of a Board and a Corporation. The Corporation is the operational arm of the organization, while the Board is responsible for regulatory matters and establishing policies within the government's policy framework. The AGLC operates under the *Gaming and Liquor Act*.

The mission of the AGLC is to ensure gaming and liquor activities are conducted with integrity and social responsibility, and to maximize long-term economic benefits for Albertans. The AGLC administers the Alberta Lottery Fund under the provisions of the *Gaming and Liquor Act*.

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Alberta Lottery Fund

The Alberta Lottery Fund is made up of the government's share of net revenues from VLTs, slot machines and ticket lotteries. These revenues total more than $1 billion each year, and are used to support thousands of volunteer, public and community-based initiatives annually. The Legislature votes on expenditures from the Fund to support programs, projects and foundations administered by various ministries. The Ministry of Gaming oversees the Alberta Lottery Fund budget and administers two key lottery-funded programs, the Community Facility Enhancement Program and the Community Initiatives Program.

Alberta Gaming Research Council

The Alberta Gaming Research Council is a broad-based advisory group to the Minister of Gaming. The Council is made up of six public representatives and one representative from each of the following organizations: the Alberta Alcohol and Drug Abuse Commission (AADAC), Alberta Health and Wellness, and Alberta Gaming.

The Council was established to help direct the research activities of the Alberta Gaming Research Institute. The Institute is an independent consortium of the Universities of Alberta, Calgary and Lethbridge that conducts research into the various aspects of gaming, including the social and economic aspects of gaming, emerging gaming trends, and problem gambling prevention and treatment.

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Racing Appeal Tribunal

The *Horse Racing Alberta Act* establishes the Racing Appeal Tribunal. The Minister of Gaming appoints members to the Racing Appeal Tribunal. The Tribunal hears appeals under the Act. Members of the Tribunal at March 31, 2004, were James Butlin, QC, Chair; William Elzinga; and Morris Taylor. More information on the Racing Appeal Tribunal can be found in the Horse Racing Alberta Annual Report.

Horse Racing Alberta Act

The Ministry of Gaming is responsible for the *Horse Racing Alberta Act*. The legislation places responsibility for management and regulation of the horse racing industry in Alberta on Horse Racing Alberta, a private not-for-profit organization. More information on Horse Racing Alberta can be found in its Annual Report and on its website at www.thehorses.com.

Gaming and Liquor Act

The Ministry of Gaming is responsible for the *Gaming and Liquor Act*. The legislation sets out the framework for the provision and regulation of gaming and liquor in Alberta, including the roles and responsibilities of the Alberta Gaming and Liquor Commission. It also establishes the Lottery Fund.

Overview

Operational Overview

Vision

A province that strives to balance choice and responsibility in its gaming and liquor industries, uses revenues derived from these activities for the benefit of Albertans, and provides opportunity for competition and enhanced service in its liquor and gaming industries.

Mission

To ensure integrity and accountability in Alberta's gaming and liquor industries, and to achieve the maximum benefit for Albertans from gaming and liquor activities.

Guiding Principles

The Ministry of Gaming has adopted the following guiding principles for gaming and liquor in Alberta. These guiding principles are subject to ongoing review, to ensure they continue to reflect Albertans' values.

1. The integrity of gaming and liquor activities will be ensured.
2. Gaming and liquor policies will reflect a commitment to social responsibility.
3. Gaming and liquor policies will be supported by sound research and consultation with the public and stakeholders.
4. The collection and use of gaming and liquor revenue will be open and accountable.
5. Gaming activities will meet standards of quality to protect the integrity of gaming activities, provide gaming entertainment value to consumers and help to keep gaming dollars in Alberta.
6. Alberta's liquor industry will continue to be among the most progressive and competitive in the country and continue to lead the nation in terms of supply, distribution, pricing and customer service.
7. The financial return to eligible groups from charitable gaming and from provincial lotteries is to be maximized for the benefit of Albertans.

Overview
Operational Overview

Core Businesses

1. **Develop provincial gaming and liquor legislation and policy, and regulate the gaming and liquor industries in accordance with legislation and policy.**

   The Ministry is committed to developing gaming and liquor legislation and policy that strike a balance between choice and responsibility in gaming and liquor activities in Alberta. The Ministry ensures the regulation of the gaming and liquor industries through the provisions of the *Gaming and Liquor Act* and Regulation.

2. **Manage the Alberta Lottery Fund and administer designated lottery-funded programs to support Alberta communities.**

   All provincial government gaming revenue is directed to the Alberta Lottery Fund and identified for use in specific volunteer groups, and public and community-based initiatives. The Department of Gaming coordinates development of the Lottery Fund budget and administers designated lottery-funded programs. The Alberta Gaming and Liquor Commission (AGLC) is responsible for administration of the Alberta Lottery Fund, including collection of revenues and disbursement of revenues according to an *Appropriation Act*. Alberta Lottery Fund expenditures support programs, projects and foundations administered by various ministries.

3. **Support leading-edge research on gaming and liquor issues in Alberta and partner to build awareness of the social aspects of gaming and liquor.**

   Alberta is committed to being a key partner in supporting gaming and liquor related research. The Ministry established the Alberta Gaming Research Council to help direct the research activities of the Alberta Gaming Research Institute – a consortium of the Universities of Alberta, Calgary and Lethbridge. The Institute is funded through the Alberta Lottery Fund to conduct research into various aspects of gaming, including the social and economic aspects of gaming, emerging gaming trends and problem gambling prevention and treatment.

   Through legislation, policy and partnerships, the Ministry also enables the responsible use and enjoyment of alcohol and gaming entertainment.

These core businesses, with our mission and vision, are reflected in our results analysis of key activities for 2003-2004.

Kim Turgeon

Director of Public Relations and Development
Aventa Addiction Treatment for Women

Our previous facility, with 16 beds, had a four-month waiting list. For women in crisis, this was simply too long. With the support of the lottery fund, Aventa was able to purchase a new centre and expand its services. It has 36 beds, including six crisis beds. Pregnant woman are admitted without delay to decrease the risks associated with fetal alcohol spectrum disorder.

Aventa Addiction Treatment Centre for Women received Alberta Lottery funds through the Community Facility Enhancement Program.

Message from the Deputy Minister

It is with great pride that I reflect on the Ministry's accomplishments of the past year. Many of our recent initiatives fortify the integrity and accountability of Alberta's gaming and liquor industries; numerous others advance our work to maximize the benefits to Albertans from these activities.

Much of the Ministry's efforts this past year have been directed toward improving the way our gaming and liquor systems work to benefit Albertans. Alberta leads other provinces in this regard, largely thanks to the Alberta Lottery Fund, which has been providing support to Albertans and their communities for the past 14 years. During this last year, it has provided more than $1 billion in funding for thousands of volunteer, public and community-based initiatives.

We celebrated the first full year of operation for the Community Initiatives Program (CIP). CIP complements the existing Community Facility Enhancement Program, and through these programs community groups can apply for grants to support a broad range of initiatives. Using the website, albertalotteryfund.ca, Albertans have access to a vast array of information, including a searchable database of lottery-funded groups and initiatives.

In October, the First Nations Development Fund was transferred to Alberta Gaming from Alberta Community Development. This fund will receive a portion of the proceeds generated from slot machines in First Nations casinos and will support initiatives aimed at improving the quality of education, health, infrastructure and community life of Alberta's First Nations. In support of the First Nations Gaming Policy, the Ministry is working with First Nations to ensure economic opportunities from gaming activities are accessible.

The Ministry embraced some thoughtful new policy recommendations during the reporting year. An MLA Review Committee was struck to undertake a review of the eligibility policies for gaming licences and how the proceeds from gaming could be used by Alberta's charitable community. The 41 accepted recommendations leave a solid legacy of support for the valuable work by all volunteers in the charitable sector. This legacy includes allowing adult sports groups and non-profit child care groups to participate in Alberta's charitable gaming model.

Message from the Deputy Minister

We also implemented new policies to protect the integrity of the bingo industry, and the significant revenue it provides to Alberta's charities and volunteer groups. The revised policies help charitable groups maximize the financial benefits of bingo events. The Ministry will continue to work with the bingo industry and charities to enhance the returns to charities from bingo events.

The Ministry's achievements this year reflect the dedication and perseverance of the Ministry's staff and their positive working relationships with industry and community stakeholders. Thank you to all staff for their hard work and another successful year. It is because of the professionalism and dedication of our staff that we can continue to pursue innovation and superior service on behalf of Albertans.

I look forward to the coming year, as we continue to work together in the public interest, ensuring the ongoing integrity of gaming and liquor activities, encouraging responsible choices for alcohol and gaming entertainment, and carefully managing the growth and change in the gaming and liquor industries.

Norman C. Peterson
Deputy Minister

Expense by Core Business and Expense by Function

Expense by Core Business

Ministry Expense* by Core Business

March 31, 2004 (thousands of dollars)

	2004		2003
Core Business	Budget	**Actual**	Actual
1. Develop legislation, regulations and policy for the gaming and liquor industries	$ 1,633	**$ 1,292**	$ 1,095
2. Manage the Alberta Lottery Fund and administer designated lottery programs	1,099,638	**1,131,949**	1,096,640
3. Support gaming and liquor research and partner to build awareness of the social aspects of gaming and liquor	1,829	**1,717**	1,691
Total Ministry Expense	$ 1,103,100	**$ 1,134,958**	$ 1,099,426

* Ministry expense includes Lottery Fund payments to other ministries.

Expense by Function

Ministry Expense* by Function

March 31, 2004 (thousands of dollars)

	2004		2003
Function	Budget	**Actual**	Actual
Health	$ 250,302	**$ 246,380**	$ 157,487
Education	223,515	**211,400**	144,815
Social Services	30,000	**30,000**	25,000
Agriculture, Resource Management and Economic Development	163,839	**175,655**	141,152
Regional Planning and Development	60,000	**60,000**	40,000
Protection of Persons and Property	1,265	**1,265**	1,062
Transportation, Communications and Utilities	60,000	**60,000**	50,000
Environment	5,680	**-**	-
Recreation and Culture	152,120	**150,475**	126,867
Housing	-	**-**	10,000
General Government	156,379	**199,783**	403,043
Total Ministry Expense by Function	$ 1,103,100	**$ 1,134,958**	$ 1,099,426

* Ministry expense includes Lottery Fund payments to other ministries.

Key Activities

The key activities for each of the core businesses of the Ministry in 2003-2004 are summarized here.

Key Activities
Core Business 1

Core Business 1

Develop provincial gaming and liquor legislation and policy, and regulate the gaming and liquor industries in accordance with legislation and policy

Gaming and liquor are significant industries in Alberta. They employ thousands of Albertans directly and indirectly and together generate over $1.6 billion of revenue for the province. Because of the need to maintain integrity and fairness in the industries, both are regulated closely by the province.

To generate over $1.6 billion of revenue, the Alberta Gaming and Liquor Commission (AGLC) incurred almost $119 million in operating expenses. This includes the costs of regulation, equipment, information management systems, telecommunication networks, technical support and administration. AGLC operating expenses are deducted from revenues before they are transferred to the General Revenue Fund and Alberta Lottery Fund, as specified in legislation.

The $1.3 million shown for this Core Business in the expense by core business and expense by function tables relates solely to the resources contributed by the Department of Gaming to legislation and policy development, which occurs in coordination with AGLC, stakeholders and the public.

The Ministry is committed to developing gaming and liquor legislation and policy that strike a balance between choice and responsibility in gaming and liquor activities in Alberta. The Ministry ensures the regulation of the gaming and liquor industries through the provisions of the *Gaming and Liquor Act* and Regulation.

The Ministry also works with the horse racing industry under the Racing Industry Renewal Initiative to assist the horse racing industry maintain and improve live horse racing and breeding in the province.

Key Activities
Core Business 1

Gaming policies implemented

In 2003-2004, the Ministry continued to implement the policy recommendations arising from the Gaming Licensing Policy Review (GLPR). To date, 54 out of 61 GLPR recommendations have been successfully implemented. The recommendations, which are aimed at ensuring any growth in gaming in the province is carefully managed, controlled and regulated, are intended to balance consumer demand for gaming and its economic benefits with the public acceptance and social impacts of gaming. The recommendations reflect the government's continued commitment to maintain Alberta's unique charitable gaming model and to ensure that the gaming industry operates in a socially responsible manner.

The implemented recommendations include:

- A set of guiding principles for gaming,
- An eight-step licensing process for approving new casinos with community input,
- A reduction in the number of locations with VLTs in response to Albertans' wishes,
- A range of measures to ensure the continued integrity of gaming activities, and
- Various activities that help charitable groups which run bingos compete better with other gaming activities.

The gaming policies were developed with extensive stakeholder consultation and public input.

New casino licences

In December 1999, the Minister of Gaming initiated a review of gaming licensing policies and processes. While the review was underway, consideration of requests to license or approve new casinos, casino expansions and relocations, new games and gaming environments were suspended. In 2002, the moratorium respecting new casino facilities was removed, after the development of specific casino terms and conditions to carefully manage and control gaming expansion in the province, including a comprehensive eight-step process for licensing new charitable casinos. As an integral part of the process, communities in which a facility is to be located are provided an opportunity to express support for or lack of support for casino proposals. In addition, views of others provided in writing are considered by the AGLC Board as part of the licensing decision.

The current status of casino applications is provided on the AGLC website at www.aglc.gov.ab.ca.

Key Activities
Core Business 1

Traditional casinos

Did you know? Alberta's first charitable casino opened at Edmonton's Annual fair in 1967.

Since the process was initiated in 2002, the AGLC has considered 19 licence applications for traditional casinos in five Tourism Destination Regions (TDRs) in the province, including Edmonton, Calgary, Alberta North, Alberta South, and Alberta Central. All eligible applicants must progress systematically through the eight steps of the comprehensive licensing process before a casino licence may be issued.

The application process for a new casino in the Alberta South TDR was closed during Step Three Initial Assessment, after the AGLC determined that there would not be sufficient additional benefits to charities. The applications for new casinos in the other four TDRs are at various stages in the eight-step process. The current status of casino applications is provided on the AGLC website at www.aglc.gov.ab.ca.

First Nations casinos

First Nations casino applicants also follow the same eight-step process as traditional casino applicants. To date, there are no First Nations casinos operating in Alberta.

Since the process was initiated in 2002, the AGLC has considered nine licence applications for First Nations casinos in four Tourism Destination Regions (TDRs) in the province, specifically Edmonton, Calgary, Alberta Central, and Canadian Rockies. The number of First Nation casinos licensed will depend on many factors, including various market considerations. The casino applications for First Nations casinos are at various steps in the process and the current status of each application is available on the AGLC website at www.aglc.gov.ab.ca.

First Nations Development Fund

An early outcome from the Gaming Licensing Policy Review was the First Nations Gaming Policy. It not only established the framework for First Nations casinos but set out the broad parameters for the First Nations Development Fund (FNDF). A working committee representing the First Nations and the Government of Alberta developed an agreement detailing the administration of the FNDF, which will make grants equivalent to 40 per cent of the slot machine proceeds from all First Nations casinos available to all First Nations for social, community and economic development, including health, education and infrastructure projects. Since there were no First Nations casinos operating in 2003-2004, no funding was available during this fiscal year.

Key Activities
Core Business 1

Video lottery terminals (VLTs)

In April 2003, the AGLC removed 199 VLTs from the seven communities that had voted by plebiscite to remove them. This action was based on a Court of Queen's Bench decision to dismiss a constitutional challenge pertaining to the *Gaming and Liquor Act*, which lifted the court-imposed injunction that had prohibited the removal of the VLTs. The AGLC was committed to honoring the results of the local VLT plebiscites, and was pleased that Bill 36, the *Gaming and Liquor Amendment Act*, was upheld by the courts and the communities' wishes were upheld.

In 2003-2004, the AGLC replaced all of its aging and obsolete VLTs. The new terminals have special features that are designed to assist those who might have problems with gambling to better manage their time and resources, and to provide them with contact information to seek assistance.

In addition, the AGLC continued to reduce the number of locations with VLTs in the province over the past year. In response to the views expressed by Albertans during the Gaming Licensing Policy Review, the AGLC had committed to reducing the number of locations with VLTs by 10 to 15 per cent over a three-year period, beginning in 2002-2003. By March 31, 2004, the number of VLT retail sites in Alberta was decreased by over 12 per cent. As part of the reduction strategy, multiple retail sites with VLTs are being replaced with a smaller number of Video Gaming Entertainment Rooms (VGERs). All VGERs have a minimum of 15 and a maximum of 25 VLTs. At March 31, 2004, there were 37 VGERs in Alberta with a total of 689 VLTs.

Did you know?
In response to recommendations by the 1995 Lotteries Review Committee, the Alberta Government has capped the number of VLTs allowed in the province at 6,000.

Gaming licensing eligibility and use of proceeds

In 2003-2004, the report of the MLA Review Committee on Charitable Gaming Licensing Eligibility and Use of Proceeds was completed and the government approved 41 of the committee's 42 recommendations. The AGLC began implementing the approved recommendations in August 2003.

The review, which included extensive consultation with charities, industry stakeholders and the public, represents the first comprehensive examination of the charitable gaming licensing and use of proceeds policies in more than 20 years. Its aim was to clarify and update the existing policies, and ensure that they are easy to understand. As a result of the review, two additional groups (eligible adult sports groups and non-profit daycare centres) are eligible to apply for gaming licences in support of their charitable activities. The full report of the review can be found on the Ministry of Gaming website at www.gaming.gov.ab.ca.

Key Activities
Core Business 1

> On behalf of the Federation of Alberta Bingo Associations, we are pleased with the recommendations included in the report. It is evident that you listened carefully and considered the merits of the submissions.
>
> Shirley Cripps, President
> Federation of Alberta
> Bingo Associations
> September 3, 2003

Bingo

The AGLC, with bingo stakeholder input, adopted a revised set of Bingo Terms and Conditions and Operating Guidelines. These terms and conditions are consistent with the government's commitment to the charitable gaming model, in which charities benefit directly from the gaming activities they are licensed to conduct. The terms and conditions, which were based on recommendations from the Gaming Licensing Policy review, were successfully implemented in October 2003. The revisions include:

- Providing bingo associations with the option to involve private operators and hire additional paid staff,
- Restricting bingo workers from playing bingo in their own halls, and
- Providing bingo associations with the opportunity to participate in DIGI (electronic bingo) and Keno.

Overall, the revisions to the terms and conditions allow for greater flexibility in bingo programming and operations, and give bingo the opportunity to compete with gaming activities such as casinos.

Information program for charitable groups (GAIN)

The AGLC developed and launched the Gaming Information for Charitable Groups (GAIN) program in 2003-2004. This program, offered in various locations throughout the province, will help charitable groups gain a better understanding of the responsibilities and requirements of a gaming licence. The program offers an overview of the charitable gaming model, focusing on policies regarding gaming licence eligibility, use of proceeds, conducting and managing charitable gaming events, and financial reporting requirements of a gaming licence. Between November 17, 2003 and March 31, 2004, 44 GAIN sessions were held in 28 communities. These sessions were attended by over 4,700 volunteers, representing in excess of 2,200 groups. Detailed information on this program, including a program outline and training schedule, are available on the AGLC website at www.aglc.gov.ab.ca.

Key Activities
Core Business 1

Bring Your Own Wine and Recorking

After consulting with liquor and food service stakeholders, changes were made to provincial liquor laws and policies to permit patrons to bring their own wine to participating restaurants and remove partially-consumed wine from a restaurant. These changes, again, demonstrate that Alberta's liquor industry continues to be among the most progressive in Canada.

The Bring Your Own Wine policy, which was introduced in October 2003, gives consumers greater choice in liquor service by providing them with the opportunity to bring a bottle of their own pre-purchased wine to restaurants that choose to participate in the program. In 2003-2004, 252 licensed premises participated in the program.

Upon request, licensed premises will be required to recork any partially consumed bottles of wine, allowing patrons to take the remaining wine home with them when they leave the restaurant. This will help ensure the responsible consumption of liquor, since customers will not feel compelled to finish a bottle of wine at the restaurant.

> It's time to raise a glass to Gaming Minister Ron Stevens for the enlightened plan to allow patrons to bring bottles of wine to restaurants with them.
>
> Wine maketh merry –
> Editorial, Calgary Herald,
> October 23, 2003

Regulatory activities

The AGLC delivers a range of regulatory services to ensure the integrity of gaming and liquor activities, one of the Ministry of Gaming's key commitments. The AGLC inspects liquor and gaming facilities, works with stakeholders to develop operational policies, audits gaming licensees, and conducts due diligence investigations on all casino facility and racing entertainment centre licensees.

In 2003-2004, the AGLC conducted 23,710 inspections of liquor establishments and, as a result, 633 incident reports were generated. The AGLC also conducted 4,652 gaming inspections, from which 39 incident reports were generated. Incident reports detail alleged contraventions and are used in the process of taking disciplinary action against a licensee.

The AGLC also handled 433 gaming-related criminal investigations that resulted in 25 individuals being charged with various offences under the *Criminal Code* (Canada). Charges include those related to theft, fraud, forgeries and cheating at play. This compares to 412 criminal investigations resulting in 41 individuals being charged in 2002-2003.

In addition, the AGLC worked on 331 forensic audits in 2003-2004, including routine audits, theft investigations, financial due diligence investigations, assistance with policy reviews, financial analysis and responding to third-party complaints and stakeholder requests.

Key Activities
Core Business 1

Keeping Albertans informed

The Ministry values the views of its stakeholders and partners, and actively seeks their input in developing or updating a range of gaming and liquor policies. Stakeholders include charitable organizations, private sector retailers and operators of gaming and liquor activities, representative gaming and liquor industry groups, municipal services such as police agencies, problem gambling agencies, and individuals and groups who have expressed interest in the gaming and liquor industries.

The Ministry is committed to being open and accountable in its activities. Gaming's website at www.gaming.gov.ab.ca provides information to Albertans on a variety of liquor and gaming topics. It also includes links to related sites, such as the Alberta Gaming and Liquor Commission website (www.aglc.gov.ab.ca) and the Alberta Lottery Fund website (albertalotteryfund.ca). The Ministry also responds to thousands of calls, letters and e-mails each year from the public enquiring about a range of topics, from licensing procedures to facts and figures about liquor services and gaming in the province.

The majority of enquiries are addressed directly and promptly. In a few isolated situations, enquiries are dealt with through the Freedom of Information and Protection of Privacy (FOIP) legislation. The Ministry operates within the provisions of the *FOIP Act* in all areas, including collection, use and disclosure of information. The Department of Gaming received four FOIP requests in 2003-2004, one from the general public, one from the media, and two from elected officials.

Horse racing industry

The Ministry of Gaming is responsible for the *Horse Racing Alberta Act*. This *Act* allows the racing industry to manage and develop the business of horse breeding and racing in Alberta and ensures a wide representation from key racing industry stakeholders to govern the industry.

The horse racing industry has a long and valued history in the province. The entire agriculture industry benefits from Alberta's strong and viable horse racing industry, including ranchers, breeders, and grain farmers. In addition, over 3,000 Albertans are employed in permanent full-time jobs in the horse racing industry. When part-time jobs are included, it is estimated that 7,000 to 8,000 Albertans are engaged in the equine industry.

Did you know?
It is estimated that 7,000 to 8,000 Albertans are employed in the equine industry.

Horse Racing Alberta, a private, not-for-profit organization is responsible for the management and regulation of horse racing in the province. Horse Racing Alberta prepares three-year business plans with performance measures. It also provides an annual report, including audited financial statements, to the Minister for tabling in the Legislature.

The *Horse Racing Alberta Act* establishes the Racing Appeal Tribunal. The tribunal, which operates independently from Horse Racing Alberta, hears appeals under the Act. Further information on Horse Racing Alberta and the Racing Appeal Tribunal can be found on the Horse Racing Alberta website at www.thehorses.com.

Key Activities
Core Business 2

Core Business 2

Manage the Alberta Lottery Fund and administer designated lottery-funded programs to support Alberta communities

The Alberta Lottery Fund is made up of the government's share of net revenues from VLTs, slot machines, and ticket lotteries. These revenues total more than $1 billion each year, and are used to support thousands of volunteer, public and community-based initiatives annually. In 2003-2004, these funds were distributed through 12 Ministries including five foundations and two key granting programs.

The Department of Gaming oversees the preparation of the Alberta Lottery Fund budget and administers two key granting programs: the Community Facility Enhancement Program (CFEP) and the Community Initiatives Program (CIP). The AGLC administers the Lottery Fund, including collection of revenues and disbursement of funds to the ministries identified in the *Lottery Fund Appropriation Act*.

As indicated in the Expense by Core Business Chart, the expense for carrying out this core business in 2003-2004 was $1.1 billion which includes over $992 million in lottery fund payments to 11 other ministries and five foundations to support volunteer groups and public and community based initiatives. The ministry expense for this core business also includes the operating costs of the Lottery Funded Program Division of Alberta Gaming. In 2003-2004 these costs included program disbursements of $138.3 million for CFEP, CIP and other lottery funded programs administered by Alberta Gaming, as well as $1.27 million for administrative costs.

Key Activities
Core Business 2

Benefiting Albertans: The Alberta Lottery Fund

In 2003-2004, a total of $1.1 billion generated from the government's share of net revenues from VLTs, slot machines, and ticket lotteries was placed in the Alberta Lottery Fund. Each year the government votes on the disbursement of funds from the Lottery Fund. Examples of initiatives funded by the Alberta Lottery Fund include: community facilities, libraries, museums, sports and athletic events, agricultural societies, major exhibitions, arts and culture groups, wildlife and conservation projects, public athletic facilities, seniors' groups, recreation, tourism and historical resources, infrastructure projects, school renewal and construction, seniors' facility upgrades, and health facility construction.

For specific examples of lottery-funded initiatives, see the Alberta Lottery Fund's website at www.albertalotteryfund.ca and select ***Who Benefits (Searchable Database)***. A search can be sorted according to community, recipient name or agency (granting program).

Ministry's granting programs

Community Facility Enhancement Program (CFEP)

The Community Facility Enhancement Program (CFEP) was introduced in 1988 to help foster the unique characteristics of Alberta's many communities. To accomplish this, the program typically provides matching grants, up to a maximum of $125,000 per project each year, to registered community non-profit groups, municipalities, and Indian Bands and Métis Settlements to expand or upgrade Alberta's extensive network of community facilities.

In 2003-2004, the Community Facility Enhancement Program (CFEP) provided 624 grants totalling $38.5 million to communities throughout Alberta.

A few examples of projects supported through this program include:

- Crowsnest Pass Baseball/Soccer Facility Association received $125,000 to develop a new combined baseball and soccer complex to support the hundreds of citizens in the area involved in sport. The new complex includes four baseball diamonds, three soccer pitches, a playground area, parking areas and concession storage. This facility provides a safe environment for children to play and families to interact.

> I can't overstate the importance of your support. Thank you for the Community Facility Enhancement Program's contribution to our exhibition and public access programming project.
>
> Meiko Ouchi
> President, Board of Directors, Film and Video Arts Society of Alberta
> The Society received $125,000 from the Community Facility Enhancement Program
> May 30, 2003

Key Activities
Core Business 2

- Innisfree Senior Citizens Association received a grant for $991 to upgrade access for the disabled at the Innisfree Senior Citizens Centre. This seniors' facility is used for a variety of functions in the community including: anniversaries, graduations, jamborees, family gatherings, 4-H functions and meetings.

- Project 118 Children's Services Society received $125,000 towards the construction of their Youth Ranch. The ranch serves as a recovery centre for troubled female youth. This treatment facility provides youth with an opportunity to re-build their lives and, when possible, reintegrate with their families.

The Alberta Lottery Fund is at work throughout the province. For more examples of CFEP funding, check the searchable database on the Alberta Lottery Fund website at albertalotteryfund.ca.

Community Initiatives Program (CIP)

Introduced in 2002, the Community Initiatives Program (CIP) supports project-based initiatives in areas such as community services, seniors' services, libraries, arts and culture, sports, education, health and recreation. The maximum grant amount is $75,000 per project per year, and applications can be submitted anytime throughout the year.

There is a matching requirement for CIP funding. The matching requirement may be met in the form of any contribution of money, volunteer labour, services, or donated materials or equipment for the project.

Those eligible for funding through the Community Initiatives Program include:

- Community not-for-profit groups,
- Social services sector and regional Children's Authorities,
- Municipalities, and
- First Nations and Métis Settlements.

Community organizations that are not registered may have a sponsor apply on their behalf.

In 2003-2004, the Community Initiatives Program (CIP) provided $30 million in funding for 1,294 volunteer and community-based initiatives in communities throughout Alberta.

> Thank you for fostering a community that values families and a higher quality of life for all Albertans.
>
> Bill Roberts
> Executive Director, The Wood's Homes Foundation
> The Foundation received $75,000 from CIP
> January 26, 2004

Examples of projects supported through this program include:

- All Nations Theatre Society received $37,510 to assist the society in their mandate to create social change through educational theatre. This program helps young people use the tools of theatre to investigate personal social issues and explore strategies for positive change.
- Bow Valley College received $70,000 to support the Connecting Literacy to Community – Literacy Specialist Approach projects for the communities of Olds, Pincher Creek, Crowsnest Pass and Calgary. This outreach program assists individuals with low literacy to access information and services.
- Kids Help Phone received a grant for $53,500 for the Bell Walk for Kids Fundraising Event Cost Recovery Project. This grant enables the fundraising dollars raised during the walk to be directed towards kids in need. The annual, pledge-driven event raises funds for the Kids Help Phone line which aims to "be there for kids" 24 hours a day, 365 days a year.

The Alberta Lottery Fund is at work throughout the province. For more examples of CIP funding, check the searchable database on the Alberta Lottery Fund website at albertalotteryfund.ca.

Other Alberta Lottery Fund Programs Administered by Gaming

The department of Gaming administers the funding for a variety of lottery-funded programs including:

- **Major fairs and exhibitions**
  The lottery fund provides financial assistance to nine major fairs and exhibitions across Alberta located in Edmonton, Calgary, Lethbridge, Camrose, Grande Prairie, Lloydminster, Medicine Hat, Olds and Red Deer. These fairs and exhibitions provide opportunities for agricultural and trade exhibits in the various regions.
- **Racing Industry Renewal Initiative**
  The horse racing industry has a long and valued history in the province of Alberta. A viable horse racing industry benefits the entire agriculture industry, including ranchers, breeders, and farmers. Through the Racing Industry Renewal Initiative, the horse racing industry receives a portion of the proceeds from the slot machines at Racing Entertainment Centres and the Stampede Casino in Calgary. These proceeds flow through the Alberta Lottery Fund and are returned to the racing industry for racetrack operations, capital development, purse enhancements and other purposes outlined in Horse Racing Alberta's three-year business plan. In 2003-2004, the amount returned to the horse racing industry through this initiative was $37 million.

- **NHL ticket lotteries**
  Beginning in 2002-03, Albertans were provided with an opportunity to assist Alberta's two National Hockey League (NHL) teams through the introduction of specific lottery tickets. The profits from the sales of *Break Away to Win* and other NHL specific lottery tickets, flow through the lottery fund to the NHL teams in Alberta to assist in meeting the challenges faced by small Canadian franchises.

- **Bingo associations**
  In response to recommendations from the Gaming Licensing Policy Review, net proceeds from electronic bingo (DIGI bingo) and Keno generated at bingo association events flow through the lottery fund to charities. This initiative is part of a broader strategy aimed at allowing the bingo industry to continue to assist charities that rely on bingo to support their community initiatives.

- **Other initiatives**
  This program provides lottery fund assistance for projects and initiatives that do not fall within the criteria or parameters of other government programs. Examples include the AVENTA Addiction Treatment Centre in Calgary and the Friends of the Ukrainian Village Society.

Informing Albertans about the Alberta Lottery Fund

Albertans have told us they want to know how gaming revenue is spent. The Ministry of Gaming is listening to Albertans and is always looking for ways to keep all Albertans informed about the Alberta Lottery Fund. In 2003-2004, the Ministry continued its work to inform the public about the lottery fund using the theme "Benefiting Albertans". During the fiscal year, the Ministry launched the Alberta Lottery Fund website (albertalotteryfund.ca), providing information on the lottery fund and its programs and foundations, a searchable database for lottery-funded groups and initiatives, application forms for CIP and CFEP, and links to related websites. The Ministry also attended a variety of public and industry events such as the Vitalize Conference for volunteers, the Alberta Restaurant and Food Exposition, and major summer fairs in Edmonton and Calgary to provide information about the Alberta Lottery Fund to Albertans. In the coming year, the Ministry will continue to find ways to keep Albertans informed about the lottery fund and the benefits all across the province.

Want to know what the Alberta Lottery Fund has supported in your community? Visit the searchable database at albertalotteryfund.ca for lottery-funded groups and initiatives.

Key Activities
Core Business 3

Core Business 3

Support leading-edge research on gaming and liquor issues in Alberta and partner to build awareness of the social aspects of gaming and liquor

Alberta is committed to being a key partner in supporting gaming and liquor-related research. The Ministry established the Alberta Gaming Research Council to help direct the activities of the Alberta Gaming Research Institute (AGRI). The AGRI is a consortium of the Universities of Alberta, Calgary and Lethbridge established to sponsor research into various aspects of gaming, including the social and economic aspects of gaming, emerging gaming trends and problem gambling prevention and treatment.

Through legislation, policy, partnerships and public education the Ministry also encourages the responsible use and enjoyment of alcohol and gaming entertainment.

The Ministry collaborates with its partners in the gaming and liquor industries to promote social responsibility in the sale, service and consumption of liquor, and the delivery of, and player participation in, gaming activities.

The Ministry's partners include the Alberta Alcohol and Drug Abuse Commission (AADAC), which provides advice and expertise related to alcohol and gaming matters. AADAC assists the Ministry in developing effective social responsibility programs that are delivered to the public through its other partners, including the liquor industry and gaming service providers.

Partners in the gaming industry have cooperated in raising awareness among their customers about responsible gaming and how individuals can contact AADAC. Managers and employees of licensed gaming venues participate in responsible gaming awareness training.

In conjunction with the liquor industry and AADAC, the AGLC is developing a server intervention program to ensure employees in the liquor industry are providing responsible liquor service to patrons. Industry partners continue to work with the Ministry, through the AGLC, to ensure minors do not obtain access to liquor. In addition, the Ministry participates on the Alberta FASD Cross Ministry Committee on Fetal Alcohol Spectrum Disorder (FASD), a provincial group that is intended to be the primary vehicle to support a collaborative approach to planning and delivering provincial government programs and services associated with FASD.

The Ministry expense for carrying out this core business in 2003-2004 was $1.7 million. This expense includes the operating costs of the Alberta Gaming Research Council, $1.5 million in funding to the Alberta Gaming Research Institute for research and an allocation of the related operating expenses for the Department of Gaming.

Key Activities
Core Business 3

Sponsoring research

The Ministry encourages research into the relatively new field of gaming. Since 1999, the Alberta Gaming Research Institute has received almost $8 million from the Alberta Lottery Fund. The primary aim of the Institute is to support academic research related to gambling. This is achieved through building research capacity at the partner universities, sponsoring specific research initiatives, organizing colloquia and conference events, and disseminating information via the library and resource service program and other publication mechanisms, both print and electronic (www.abgaminginstitute.ualberta.ca).

Five research projects sponsored by the Alberta Gaming Research Institute were completed in 2003-2004, and 20 more are expected to be completed by the end of 2004-2005. The Institute sponsors research that falls within four broad domains. These domains and the respective total number of research projects that have been approved within each domain since the Institute was established are as follows:

Research Domain	Number of research projects
Bio-psychological and healthcare	22
Socio-cultural	12
Economic	3
Government and industry policy and practice	2
Other	1
	40

Some research projects span several domains. Further information is available on the Institute's website at www.abgaminginstitute.ualberta.ca.

In 2003-2004, the Ministry was represented on the Advisory Committee for the Alberta Youth Experience Survey, an inter-agency advisory committee led by AADAC looking into youth experience related to alcohol consumption, tobacco use, drug use, and gambling. Alberta junior high and high school students were surveyed to obtain current and accurate information about adolescent substance use and abuse and gambling trends. The survey also examined key risk and protective factors correlated with use or participation. Survey results indicate Alberta youth exhibit the same general substance use/gambling participation patterns occurring across North America. With respect to the use of alcohol by students, the survey indicates that 56 per cent of Alberta adolescents drank alcohol at least once in the 12 month period preceding the survey. This compares to 66 per cent in Ontario and 52 per cent in Nova Scotia. Further details can be found in the full report which is available from the AADAC website at www.aadac.com.

> The funding support of the provincial government, through the Alberta Lottery Fund, is equally significant and critical. By bringing together the research talent at the partner Alberta universities and this unique funding opportunity, we are able to significantly contribute to building the knowledge base in gambling research.
>
> Vickii Williams
> Executive Director
> Alberta Gaming Research Institute
> Annual Report 2002-03

ALBERTA
LOTTERY FUND

Key Activities
Core Business 3

Promoting social responsibility

The AADAC Help Line is available province-wide and toll-free by calling 1-866-33AADAC.

Most adult Albertans (82 per cent) participate in one or more gaming activities each year. According to the Canadian Problem Gaming Index Survey (2002), it is estimated that 1.3 per cent of adults in Alberta experience a problem with their gambling. Another 3.9 per cent are at moderate risk of developing gambling problems, and 9.8 per cent are at low risk of developing gambling problems.

The government recognizes that for some individuals gambling can become an addiction and that any addiction can be devastating to the individual and their families.

The Ministry of Gaming continues to collaborate with the Alberta Alcohol and Drug Abuse Commission (AADAC) and the gaming and liquor industries in promoting social responsibility in the gaming and liquor industries, and improving existing social responsibility programs. In 2003-04, $48.86 million of lottery funding was provided to AADAC.

Responsible gaming features

In 2001-2002, the AGLC committed to the replacement of the aging and obsolete video lottery terminals. The replacement project began in May 2003 and was completed in January 2004, nine weeks ahead of schedule. The recently-installed VLTs have features which target the at-risk gambler and problem gambler, including "reality checks" for players such as:

- A clock that is visible on the screen at all times. This will allow players to track the amount of time they are playing.
- Timed pop-up announcements that remind players of how long they've been playing. Players are then asked if they wish to continue or end the session.
- A bank that is posted in both dollars and credits to help players better monitor and keep track of how much has been wagered.
- A problem gambling helpline message and a toll-free Gamblers' Help Line phone number that scrolls across the screen.

In 2003-2004, the Ministry initiated a three-year study into the effectiveness of the responsible gaming features.

The Ministry continues to reduce the number of locations with VLTs and to limit the maximum number of VLTs in the province to 6,000 terminals. This limit has been in effect since 1995.

Key Activities
Core Business 3

Responsible gaming program for retailers

Among its social responsibility activities during 2003-2004, the Ministry, through the AGLC, continued to carry out and enhance the responsible gaming program involving gaming retailers, including VLT retailers, casino operators and racing entertainment centres. The program, developed with AADAC, has two mandatory and two voluntary components as follows:

Mandatory component:

- Awareness training (problem gambling, recognizing individuals at risk, and offering assistance) for all staff that have any involvement with VLTs.
- Posting all six signs that are required by the AGLC related to responsible gaming and gaming in general. The signs must be current and in good condition.

Voluntary component: (must be completed to be eligible for the award)

- VLT owners, management and/or senior staff participate in consultations with the AGLC. This year, the consultation was in the format of an AADAC/AGLC Responsible Gaming Survey.
- VLT retailers provide some type of server intervention product that includes the AADAC help-line phone number, such as a matchbook, business card, or coaster.

VLT retailers fulfilling all four of the components are identified as a Responsible Gaming Venue and are eligible for an award. This year the AGLC dedicated more effort to informing retailers of the importance of the responsible gaming program, including bulletins, direct promotion from technicians and trainers, and information posted on the AGLC website. As a result, in 2003-2004, approximately 385 retailers have participated in all four components and are eligible for an award, which is a significant increase over the 60 retailers that participated in the full program in 2002-2003.

Voluntary Self-Exclusion Program

The Voluntary Self-Exclusion Program for casinos continued to grow during the fiscal year. This program, developed with the gaming industry and introduced in September 2000, is designed for Albertans who feel it is in their best interest not to participate in casino or Racing Entertainment Centre gaming activities. By submitting an application to the AGLC, participants can voluntarily agree to be excluded from entering all Alberta casinos and Racing Entertainment Centres for a specified period of time (minimum 6 months to maximum 3 years). More than 2,000 people have signed Voluntary Self-Exclusion Program agreements since the program began and there are over 1,300 participants currently active in the program.

Alberta Server Intervention Training Program Society (ASITPS)

During the year, the AGLC worked with the liquor industry to develop a new province-wide certification program for liquor industry staff. An industry led society called the Alberta Server Intervention Training Program Society (ASITPS) has been formed to develop the program in conjunction with various industry stakeholders and AADAC.

It is anticipated that this training program, which is expected to be launched in 2004, will ensure that those involved in the sale of liquor to the public will be trained under a uniform system with the highest standards and, in turn, raise awareness and promote the responsible consumption of liquor. As a result of the training, servers will become more adept at recognizing the symptoms of intoxication and in dealing responsibly with individuals who have over-consumed. In addition, increased awareness will reduce the incidence of service to minors. Overall, the Alberta Server Intervention Training program will facilitate the responsible sale and service of liquor.

Checking for Minors – Under 25 Photo ID Policy

The Ministry takes the issue of minors attempting to purchase alcohol very seriously. In Alberta, it is against the law for anyone under the age of 18 to be served, or to purchase liquor in a licensed premise such as a liquor store or bar. During the last year, the AGLC continued to enforce the policy that requires all liquor licensees to request photo identification from anyone who appears to be under the age of 25. An audit of licensed premises conducted in 2002 indicated that only 23 per cent of the licensed premises audited requested identification from individuals who appeared to be under 25. To improve this rate of compliance, the AGLC sent caution letters to licensees who failed the investigation, provided training and "It's the Law" awareness posters to all licensees, and increased penalties for violations.

87% of youth in Alberta did not report signs of harmful alcohol use.

AADAC Youth Experience Survey Summary Report 2002

An audit conducted in 2003 indicated a significant improvement in the rate of compliance with the policy to 67 per cent. In the last fiscal, there were 336 infractions of the Under 25 Photo ID policy which resulted in fines of over $200,000. In addition, there were 34 three-day suspensions, three two-day suspensions, one one-day suspension and six warnings.

The AGLC continues to promote awareness of the Under 25 initiative to industry stakeholders and will conduct a similar audit in 2004.

Social Responsibility Division

To ensure that the best interests of all Albertans continue to be served, the AGLC created a new division devoted to social responsibility issues and initiatives during the past fiscal year. This new division will coordinate current efforts to encourage responsible gaming and the responsible consumption of alcohol. The Social Responsibility Division, in collaboration with communities, the liquor and gaming industries, enforcement agencies, AADAC and other stakeholders, will assist in the development of new campaigns and initiatives to encourage the responsible provision of and participation in gaming activities and the responsible sale and consumption of liquor.

Performance Measures

Report of the Auditor General on the Results of Applying Specified Auditing Procedures to Performance Information

AUDITOR
GENERAL
Alberta

To the Members of the Legislative Assembly

In connection with the Ministry of Gaming's performance information included in the *2003-2004 Annual Report of the Ministry of Gaming* I have:

Performance measures

1. Agreed information from an external organization to reports from the organization.
2. Agreed information from reports that originated from organizations included in the consolidated financial statements of the Ministry to source reports. In addition, I tested the procedures used to compile the underlying data into the source reports.
3. Checked that the presentation of results is consistent with the stated methodology.
4. Checked that the results presented are comparable to stated targets, and information presented in prior years.
5. Checked that the performance measures, as well as targets, agree to and include results for all of the measures presented in Budget 2003.

Supplemental information

6. Agreed the information to source reports. In addition, I checked that the supporting narrative is consistent with the information.

As a result of applying the above procedures, I found no exceptions. These procedures, however, do not constitute an audit and therefore I express no opinion on the performance information included in the *2003-2004 Annual Report of the Ministry of Gaming*.

Fred J. Dunn

Fred Dunn, FCA
Auditor General

Edmonton, Alberta
August 9, 2004

Performance Measures
Core Business 1

Core Business 1

Develop provincial gaming and liquor legislation and policy, and regulate the gaming and liquor industries in accordance with legislation and policy

The Ministry is committed to developing gaming and liquor legislation and policy that strike a balance between choice and responsibility in gaming and liquor activities in Alberta. The Ministry ensures the regulation of the gaming and liquor industries through the provisions of the *Gaming and Liquor Act* and Regulation.

Goals

Goal 1.1	**Alberta gaming and liquor policy balances social responsibility and economic benefit to Albertans.**
Goal 1.2	**The gaming and liquor industries operate in accordance with legislation and policy.**

Performance Measures
Core Business 1

Performance Measure 1

	2001-2002		2002-2003		2003-2004	
	Target	Result	Target	Result	Target	**Result**
Percentage of Albertans surveyed who are satisfied with the conduct of the liquor business in Alberta.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	79%

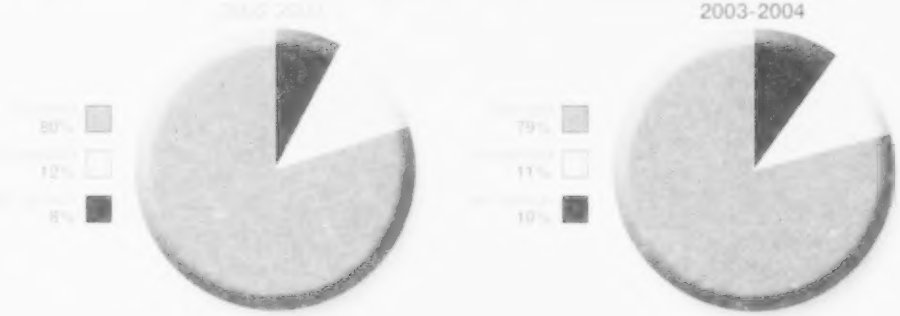
About the Results

Core Business 1 has two performance measures, both of which involve surveying the public to determine their level of satisfaction, first with the conduct of the liquor business in Alberta, and second with the conduct of legal gaming in Alberta. For both of these surveys, Alberta Gaming commissioned Research Innovations Inc. to conduct a telephone survey of Albertans. One thousand adult Albertans were interviewed in January 2004, providing a margin of error of ±3.1 per cent with a 95 per cent level of confidence. A stratified random sample of Albertans was interviewed. The sample was stratified by region, and by age and by gender within each region, based on the 2001 census data of Statistics Canada. The sample was drawn randomly from the most recent residential phone listings within Alberta. Respondents were considered satisfied if they indicated they were very satisfied, satisfied, or somewhat satisfied. The possible responses were: very satisfied, satisfied, somewhat satisfied, somewhat dissatisfied, dissatisfied, or very dissatisfied.

Key Results

When asked to rate overall satisfaction with the way the liquor business is conducted in Alberta, 79 per cent of Albertans surveyed indicated that they were satisfied. Although this is one per cent less than last year's result, the percentage of Albertans dissatisfied decreased. There was an increase in the percentage of Albertans who either did not have an opinion on the question or chose not to respond.

Overall satisfaction with the conduct of the liquor business in Alberta



Performance Measures
Core Business 1

Performance Measure 1

	2001-2002		2002-2003		**2003-2004**	
	Target	Result	Target	Result	Target	**Result**
Percentage of Albertans surveyed who are satisfied with the conduct of the liquor business in Alberta.	70%	80%	75%	80%	80%	**79%**

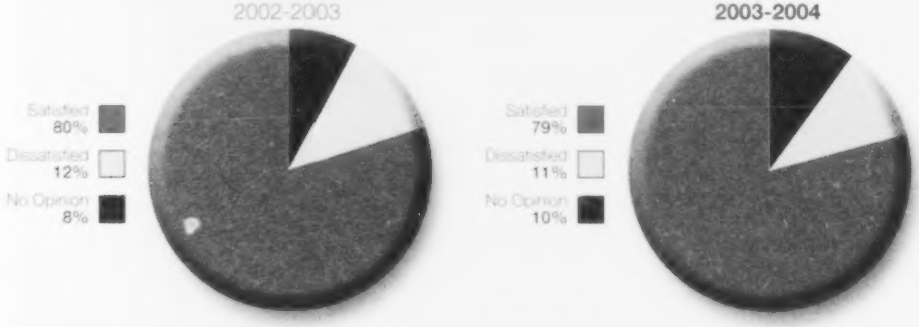
About the Results

Core Business 1 has two performance measures, both of which involve surveying the public to determine their level of satisfaction, first with the conduct of the liquor business in Alberta, and second with the conduct of legal gaming in Alberta. For both of these surveys, Alberta Gaming commissioned Research Innovations Inc. to conduct a telephone survey of Albertans. One thousand adult Albertans were interviewed in January 2004, providing a margin of error of +/-3.2 per cent with a 95 per cent level of confidence. A stratified random sample of Albertans was interviewed. The sample was stratified by region, and by age and by gender within each region, based on the 2001 census data of Statistics Canada. The sample was drawn randomly from the most recent residential phone listings within Alberta. Respondents were considered satisfied if they indicated they were *very satisfied, satisfied,* or *somewhat satisfied*. The possible responses were *very satisfied, satisfied, somewhat satisfied, somewhat dissatisfied, dissatisfied,* or *very dissatisfied.*

Key Results

When asked to rate overall satisfaction with the way the liquor business is conducted in Alberta, 79 per cent of Albertans surveyed indicated that they were satisfied. Although this is one per cent less than last year's result, the percentage of Albertans dissatisfied decreased. There was an increase in the percentage of Albertans who either did not have an opinion on this question or chose not to respond.

Overall satisfaction with the conduct of the liquor business in Alberta

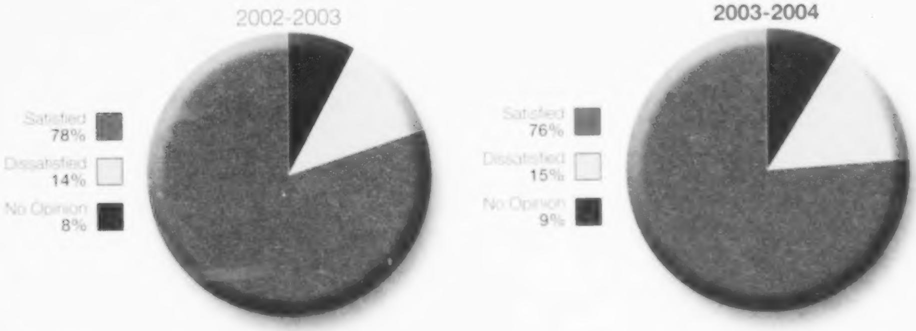


Supplemental Information

In addition to assessing overall satisfaction with the conduct of the liquor business in Alberta, respondents were also asked about their level of satisfaction with specific aspects of the liquor business.

For example, at the outset of the interview it was explained that the Alberta government privatized the retailing of liquor in 1993 and that the government continues to regulate and license the liquor industry in Alberta. When asked about how satisfied they are with how liquor is sold in Alberta, 76 per cent were satisfied compared to 78 per cent in 2002-2003.

Satisfaction with how liquor is sold in Alberta



Albertans who had purchased liquor at a retail liquor store in the past 12 months were also asked to rate their satisfaction with six different aspects of the liquor stores that they had patronized.

Of the 76 per cent of Albertans who indicated they had purchased liquor at a retail liquor store in Alberta in the past 12 months, the vast majority were satisfied, as indicated in the following chart:

Area of satisfaction	2002-2003	**2003-2004**
Percentage satisfied with the overall level of service generally received	96%	**97%**
Percentage satisfied with the location of liquor stores	94%	**94%**
Percentage satisfied with the selection of products in liquor stores	93%	**93%**
Percentage satisfied with the hours of operation of liquor stores	90%	**93%**
Percentage satisfied with the price of products	70%	**73%**
Percentage satisfied that business was conducted in a responsible manner	93%	**96%**

Albertans who had purchased liquor at a bar, lounge or restaurant in Alberta in the past 12 months were asked to rate their level of satisfaction with the hours of operation of these establishments and the overall conduct of the business in an appropriate, responsible manner. Of the 61 per cent of Albertans who indicated that they had purchased liquor at a bar, lounge or restaurant in Alberta in the past 12 months, the majority were satisfied as indicated in the following chart:

Area of satisfaction	2002-2003	**2003-2004**
Percentage satisfied with the hours of operation of these establishments	93%	**94%**
Percentage satisfied with the overall conduct of their business in an appropriate, responsible manner	93%	**93%**

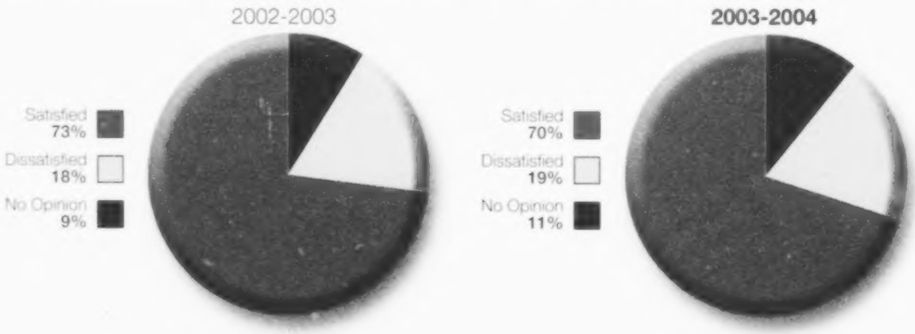
Performance Measure 2

	2001-2002		2002-2003		**2003-2004**	
	Target	Result	Target	Result	Target	**Result**
Percentage of Albertans who are satisfied with the conduct of legal gaming in Alberta.	65%	69%	70%	73%	70%	**70%**

Key Results

When asked to rate their overall satisfaction with the way legal gaming is conducted in Alberta, 70 per cent of Albertans surveyed indicated they were satisfied, 19 per cent were dissatisfied, and 11 per cent did not provide an opinion. Although overall satisfaction decreased three per cent from 2002-2003, only one per cent can be attributed to an increase in dissatisfaction and there was a two per cent increase in the number of Albertans who did not provide an opinion.

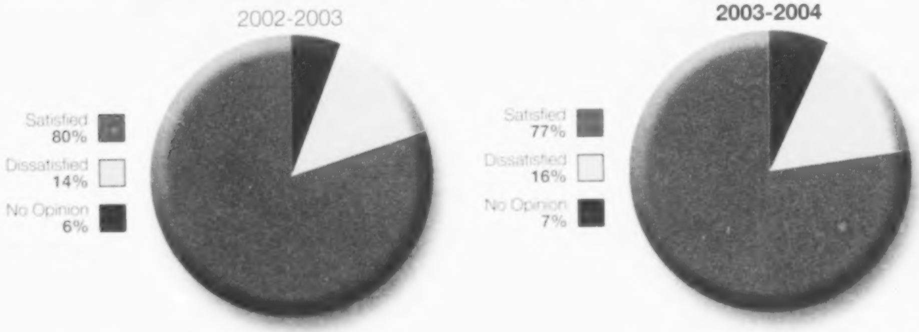
Overall satisfaction with the conduct of legal gaming in Alberta



Supplemental Information

In addition to assessing overall satisfaction with the conduct of legal gaming in Alberta, respondents were also asked about their level of satisfaction with various aspects of gaming activities. For example, it was explained that in Alberta we have a charitable gaming model for casino, pull-ticket, raffle and bingo events. These gaming activities can only occur when eligible charitable and religious organizations apply for and receive licences to conduct gaming activities. Respondents were further advised that in 2002-2003, these activities generated more than $206 million for charitable and religious organizations in Alberta. When asked how satisfied they are with this model of charitable gaming, 77 per cent of respondents indicated they were satisfied.

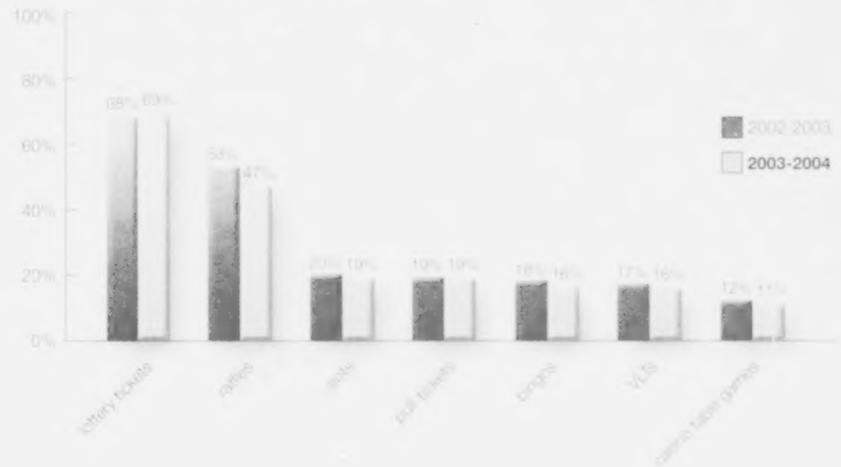
Satisfaction with Alberta's Charitable Gaming Model



Respondents were also asked if they had participated in various gaming activities in the past 12 months. As the following graph shows, participation in gaming activities ranged from 69 per cent for lottery tickets to 11 per cent for casino table games.

Performance Measures
Core Business 1

Participation in Alberta's gaming activities



Satisfaction with conduct of gaming activities

For each gaming activity in which they had participated in the past 12 months, respondents were asked how satisfied they are that the activity was conducted in an appropriate, responsible manner. As the following table illustrates, a majority of participants were satisfied that each of the seven different gaming activities were conducted in an appropriate and responsible manner:

Gaming activity	2002-2003	**2003-2004**
Raffles	92%	**95%**
Casino table games	92%	**95%**
Bingo	94%	**93%**
Lottery tickets	94%	**92%**
Pull-tickets, break opens or Nevada tickets	89%	**92%**
Slot machines	83%	**80%**
Video lottery terminals	82%	**77%**

Performance Measures
Core Business 2

Core Business 2

Manage the Alberta Lottery Fund and administer designated lottery-funded programs to support Alberta communities

All provincial government gaming revenue is directed to the Alberta Lottery Fund and identified for use in specific volunteer groups, and public and community-based initiatives. The Department of Gaming coordinates development of the Lottery Fund budget and administers designated lottery-funded programs. The Alberta Gaming and Liquor Commission (AGLC) is responsible for administration of the Alberta Lottery Fund, including collection of revenues and disbursement of revenues according to an *Appropriation Act*. Alberta Lottery Fund expenditures support programs, projects and foundations administered by various ministries.

Goals

Goal 2.1	**Lottery funds support volunteer groups and public and community-based initiatives.**
Goal 2.2	**Albertans are aware of the initiatives supported by the Alberta Lottery Fund.**

Performance Measures
Core Business 2

Core Business 2 has four performance measures. These measures and the results achieved are discussed here.

Performance Measure 1

	2001-2002		2002-2003		**2003-2004**	
	Target	Result	Target	Result	Target	**Result**
Percentage of Alberta Lottery Fund disbursements committed to supporting volunteer groups, and public and community-based initiatives.	100%	100%	100%	100%	100%	**100%**

About the Results

During the annual business planning process, government ministries identify projects that support volunteer groups and public and community-based initiatives. Funding for these initiatives is debated in the Legislature to give full disclosure and ensure lottery fund disbursements support volunteer groups and public or community-based initiatives and are in line with Albertans' priorities.

Each Ministry receiving lottery fund allocations is responsible for ensuring that the funding is used appropriately.

Before any funds are transferred from a lottery-funded initiative to a general revenue funded initiative within a Ministry's budget, the Ministry must seek approval of the Minister of Gaming and Treasury Board. Each Ministry must disclose these transfers in their financial statements at the end of the fiscal year.

Examples of government initiatives that were allocated funding from the Alberta Lottery Fund in 2003-2004 include:

- Health facilities
- School facilities
- School technology upgrades
- Alberta Supernet
- Agricultural initiatives

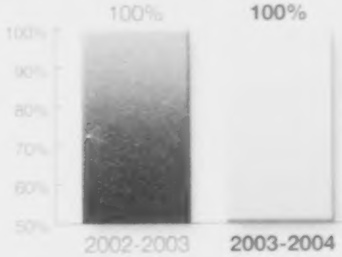
Additional information about lottery fund allocations and grant recipients is available on the Alberta Lottery Fund website at albertalotteryfund.ca.

Performance Measures

Core Business 2

Key Results

Percentage of Alberta Lottery Fund disbursements committed to supporting volunteer groups, and public and community-based initiatives



Performance Measure 2

	2001-2002		2002-2003		2003-2004	
	Target	Result	Target	Result	Target	**Result**
Percentage of administration costs of lottery-funded programs administered by the Department of Gaming.	Less than 2% of program disbursements	1.23%	Less than 2% of program disbursements	1.25%	Less than 2% of program disbursements	.92%

About the Results

In 2003-2004, the Ministry of Gaming was responsible for administering designated lottery-funded programs including the Community Facility Enhancement Program (CFEP), the Community Initiatives Program (CIP), major fairs and exhibitions, and other initiatives.

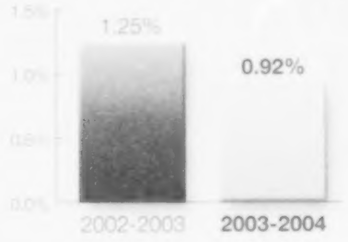
The Ministry is committed to keeping the costs of administering these programs to a minimum, specifically to less than 2 per cent of program disbursements.

The performance measure is the ratio of the lottery program administration costs to the disbursements made through Lottery Funded Programs. Lottery program administration costs are salaries, benefits, supplies and service costs of the Lottery Funded Program Division of Alberta Gaming. In 2003-2004, these costs were $1.27 million. Program disbursements are disbursements by the Department of Gaming for CFEP, CIP and other initiatives. In 2003-2004, these disbursements were $138.3 million. The decrease from 1.25% to .92% is the result of the Division assuming additional program responsibilities without a corresponding increase in administration costs.

Performance Measures
Core Business 2

Key Results

Percentage of administration costs of lottery-funded programs administered by the Department of Gaming



Performance Measure 3

	2001-2002		2002-2003		2003-2004	
	Target	Result	Target	Result	Target	**Result**
Percentage of Albertans who are aware that the Alberta Lottery Fund supports volunteer groups, and public and community-based initiatives.	Establish baseline	44%	Increase over 2001-2002 baseline	47%	46%	**44%**

About the Results

Alberta Gaming is committed to ensuring that Albertans are aware of how lottery dollars are spent. In January 2004, Research Innovations Inc. was commissioned to conduct an independent telephone survey of adult Albertans to determine how many are aware of the Alberta Lottery Fund and its support for charitable, non-profit, public and community-based initiatives. The survey was also used to determine the percentage of Albertans who are satisfied with how the Alberta Lottery Fund is used.

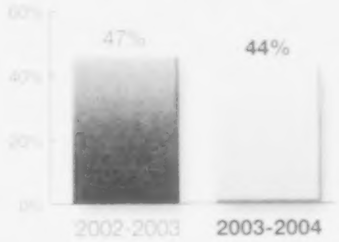
One thousand adult Albertans were interviewed in January 2004, providing a margin of error +/- 3.2 per cent with a 95 per cent confidence level. A stratified random sample of Albertans was interviewed. The sample was stratified by region, and by age and gender within each region, based on the 2001 census data of Statistics Canada. The sample was drawn randomly from the most recent residential phone listings within Alberta.

Performance Measures
Core Business 2

Key Results

Of the Albertans surveyed, 44 per cent said they were aware of the Alberta Lottery Fund and its support for at least one of four different types of organizations, projects or initiatives (charitable, non-profit, public initiatives and community-based initiatives).

Awareness of the Alberta Lottery Fund and its support for volunteer groups, and public and community-based initiatives



The Ministry strives to increase awareness by setting up displays at conferences and trade shows, distributing brochures and maintaining a comprehensive website, which can be found at albertalotteryfund.ca.

Performance Measures
Core Business 2

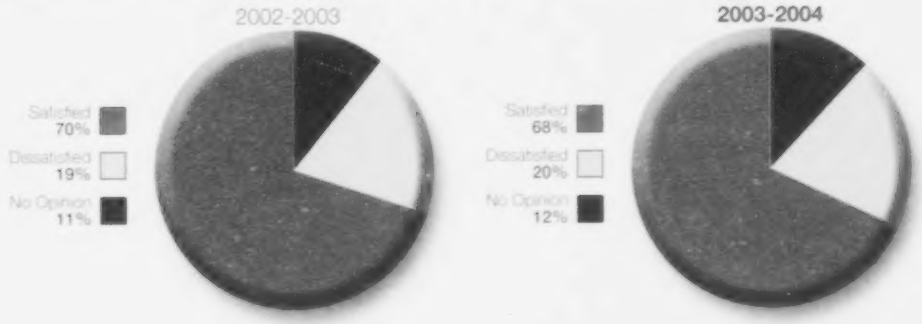
Performance Measure 4

	2001-2002		2002-2003		2003-2004	
	Target	Result	Target	Result	Target	**Result**
Percentage of Albertans who are satisfied with how the Alberta Lottery Fund is used.	Not applicable	73%	Establish baseline	70%	Increase over 2002-03 baseline	**68%**

Key Results

Albertans were informed that the Alberta Lottery Fund is the government's share of revenue from video lottery terminals, slot machines and lottery ticket sales, and that the lottery fund is used to fund charitable, non-profit, public and community-based initiatives. When asked how satisfied they are with how the lottery fund revenues are used, 68 per cent indicated they were satisfied, which is a slight decrease from last year at which time 70 per cent of respondents indicated that they were satisfied. Respondents were considered satisfied if they indicated they were *very satisfied, satisfied,* or *somewhat satisfied*. The possible responses were *very satisfied, satisfied, somewhat satisfied, somewhat dissatisfied, dissatisfied,* or *very dissatisfied*.

Satisfaction with how Alberta Lottery Fund revenue is used

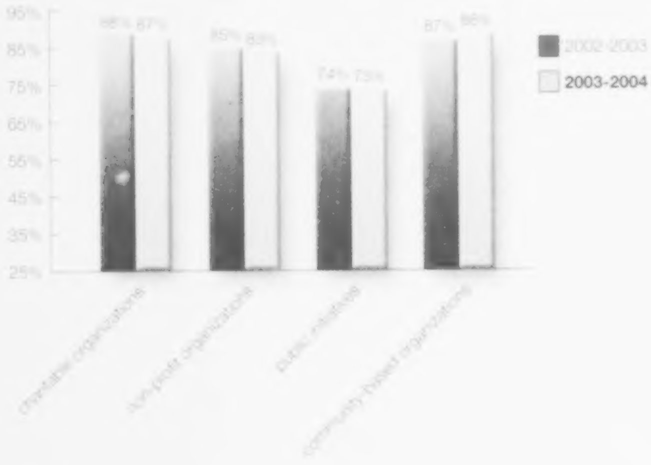


Performance Measures
Core Business 2

Supplemental Information

When Albertans were asked if they thought the Alberta Lottery Fund should provide financial support to charitable, non-profit, public and community-based initiatives, most Albertans said yes, as illustrated in the chart below:

Perception of what the Alberta Lottery Fund should support



Performance Measures
Core Business 3

Core Business 3

Support leading-edge research on gaming and liquor issues in Alberta and partner to build awareness of the social aspects of gaming and liquor

Alberta is committed to being a key partner in supporting gaming and liquor related research. The Ministry established the Alberta Gaming Research Council to help direct the research activities of the Alberta Gaming Research Institute – a consortium of the Universities of Alberta, Calgary and Lethbridge. The Institute is funded through the Alberta Lottery Fund and conducts research into various aspects of gaming, including the social and economic aspects of gaming, emerging gaming trends and problem gambling prevention and treatment.

Goals

Goal 3.1	**Leading-edge gaming and liquor research supports policy development.**
Goal 3.2	**Albertans understand the responsible use and enjoyment of alcohol and gaming entertainment.**

Performance Measures
Core Business 3

Core Business 3 has two performance measures.

Performance Measure 1

	2001-2002		2002-2003		**2003-2004**	
	Target	Result	Target	Result	Target	**Result**
Percentage of partners who are satisfied with level of support and cooperation for research, prevention and treatment programs.	Establish baseline	86%	Increase over 2001-2002 baseline	93%	90%	**93%**

About the Results

Alberta Gaming commissioned Research Innovations Inc. to undertake an independent survey of partners to whom Alberta Gaming provides support and cooperation for research and prevention and treatment programs. Satisfaction is measured annually through a census survey of partners, which includes six of eight industry associations and government agencies and nine of thirteen casino and Racing Entertainment Centre (REC) operators. Respondents were considered satisfied if they indicated they were *very satisfied, satisfied,* or *somewhat satisfied*. Possible responses were *very satisfied, satisfied, somewhat satisfied, somewhat dissatisfied, dissatisfied,* or *very dissatisfied*.

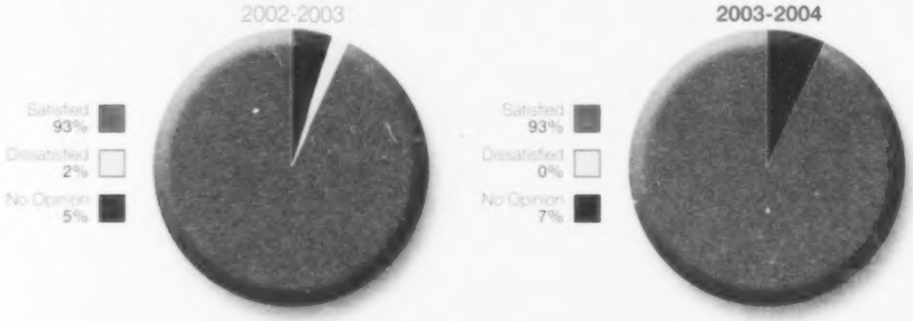
To calculate overall satisfaction among the 15 partners that participated in the survey, the results were weighted so that the number of respondents in each group (industry associations/ government agencies and casino and racing entertainment centre operators) was proportionate to their representation in the total partner population.

Performance Measures
Core Business 3

Key Results

In January 2004, partners were interviewed about their level of satisfaction with Alberta Gaming's support and cooperation for research, and for prevention and treatment programs. The majority of partners, 93 per cent in both client groups (industry associations/ government agencies and casino/racing entertainment centre operators), were satisfied with Alberta Gaming's support and cooperation for research and for prevention and treatment programs. This is the same level of satisfaction that was achieved in 2002-2003.

Overall partner satisfaction with level of support and cooperation for research, prevention and treatment programs



Performance Measures
Core Business 3

Performance Measure 2

	2001-2002		2002-2003		**2003-2004**	
	Target	Result	Target	Result	Target	**Result**
Percentage of Albertans surveyed who are aware of prevention and treatment programs for problem gambling and alcohol abuse.	Establish baseline	93%	Increase over 2001-2002 baseline	95%	90%	**96%**

About the Results

Alberta Gaming commissioned Research Innovations Inc. to conduct a telephone survey of adult Albertans to determine how many Albertans are aware of prevention and treatment programs for problem gambling and alcohol abuse.

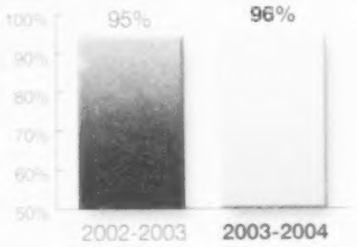
One thousand adult Albertans were interviewed, providing a margin of error of +/- 3.2 per cent with a 95 per cent confidence level. A stratified random sample of Albertans was interviewed. The sample was stratified by region, and by age and gender within each region, based on the 2001 census data of Statistics Canada. The sample was drawn randomly from the most recent residential phone listings within Alberta.

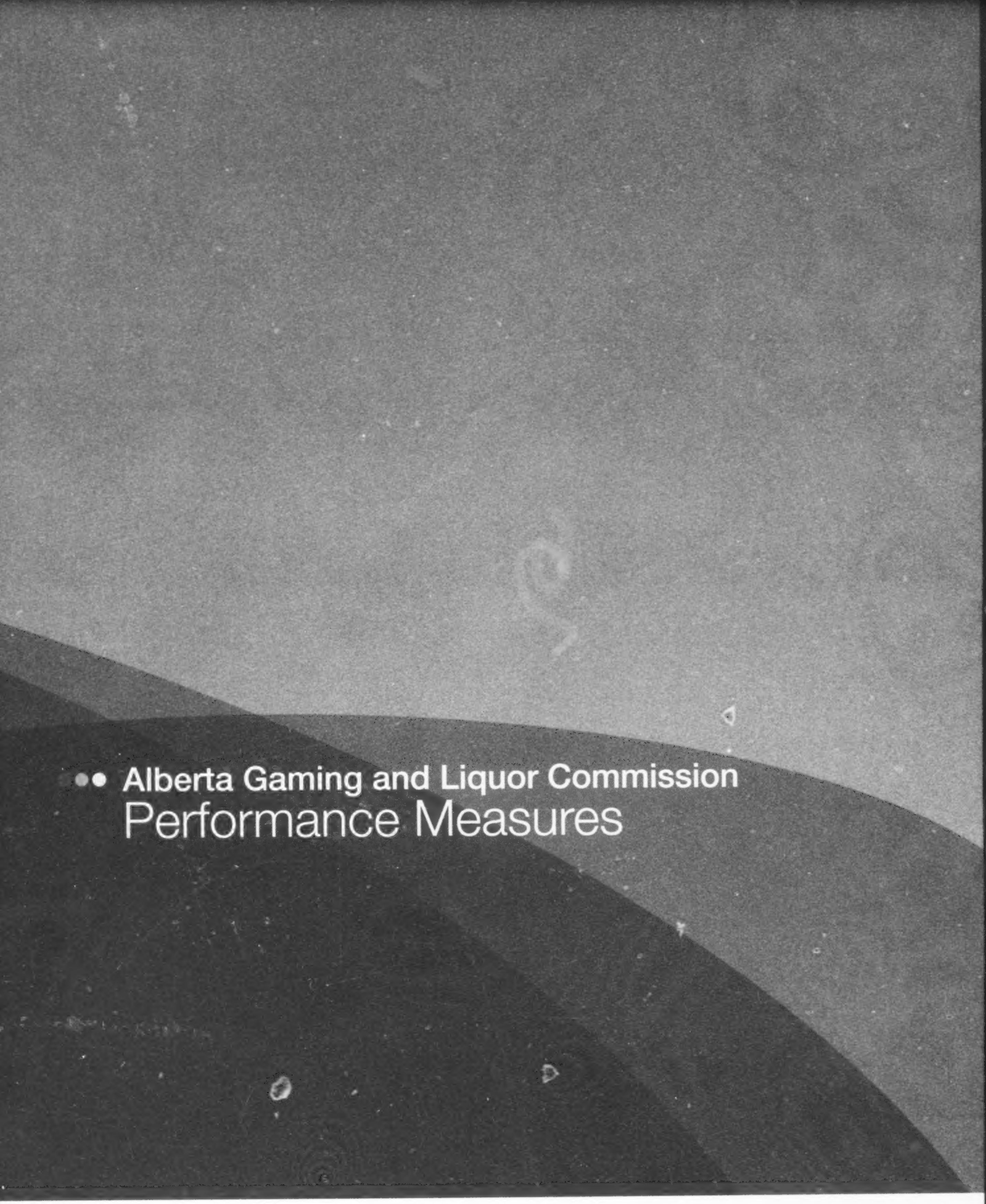
Albertans were asked if they have ever heard, seen or read anything about prevention and treatment programs for problem gambling and/or alcohol abuse.

Key Results

Overall, 96 per cent of Albertans were aware of prevention and treatment programs for problem gambling and/or alcohol abuse that are offered in Alberta.

Albertans' awareness of prevention and treatment programs for problem gambling and alcohol abuse





Alberta Gaming and Liquor Commission
Performance Measures

Alberta Gaming and Liquor Commission
Performance Measures

The Alberta Gaming and Liquor Commission (AGLC), a commercial enterprise within the Government of Alberta, consists of a Board and a Corporation. The Corporation acts as the operational arm of the organization while the Board is responsible for policy and regulatory matters. The Board consists of a Chairman and six members. The responsibilities of the Board of the Alberta and Liquor Commission are defined in the *Gaming and Liquor Act*.

These responsibilities are:

1. Ensuring that the operations of the Commission are carried out in accordance with the legislation and Board direction.
2. Establishing policies for the operations of the Commission. The Board also takes policy direction from the Minister and develops strategies and plans for that policy direction to be implemented effectively.
3. Reviewing and approving liquor and gaming licences and registrations.
4. Conducting hearings into matters involving licences and registrations and breaches of legislation.

The AGLC publishes its own annual report under a separate cover. However, as the AGLC works to achieve the vision of the Ministry, its performance measures are included in the Ministry's annual report. For more information on the operations of the AGLC, readers should consult the Alberta Gaming and Liquor Commission Annual Report. This report is available from the Communications Division listed on the inside back cover of this report or on the Alberta Gaming and Liquor Commission website at www.aglc.gov.ab.ca.

Alberta Gaming and Liquor Commission

Performance Measures

Core Business 1

Core Business 1

License and regulate liquor activities

The AGLC licenses, registers, regulates and monitors all liquor activities in the province according to the *Gaming and Liquor Act* and Regulation, other provincial and federal legislation, and AGLC policies.

The AGLC enforces the regulations and policies related to liquor activities, issues licences for the sale and service of liquor, and conducts liquor inspection activities, investigations and audits. The AGLC collects a mark-up from the sale of liquor. The private sector is responsible for warehousing, distributing and selling liquor products to consumers.

Goals

Goal 1.1	**Liquor policy and licensing activities comply with the *Gaming and Liquor Act* and Regulation.**
Goal 1.2	**The manufacture, importation, distribution, sale and consumption of liquor products comply with legislation, regulation and policy.**

Alberta Gaming and Liquor Commission

Performance Measures

Core Business 1

Core Business 1 has three performance measures. These measures, the targets and results are discussed here.

Performance Measure 1

	2002-2003		2003-2004	
	Target	Result	Target	**Result**
Licensees comply with legislation, regulation and policy.	87%	96.3%*	90%	**91.7%**

* previous year's results were restated to reflect new methodology.

About the Results

In 2003-2004, the AGLC adopted a new methodology for measuring compliance in the liquor industry. In this new methodology, the compliance rate is equal to the ratio of licensees during the year that have not been issued a penalty to the average number of licensees during the period. The new methodology was adopted because it more clearly and accurately depicts compliance in the liquor industry.

Under the previous method, which was in place for 2001-2002 and 2002-2003, the compliance rate result was equal to the ratio of inspections during the year in which an incident report was generated to the total number of inspections conducted during the year. In 2002-2003, there were 17,153 liquor inspections conducted and 349 incident reports (numbers restated based on additional information), which resulted in a compliance rate of 98.0 per cent. In 2003-2004 there were 23,710 inspections conducted and 633 incident reports which would result in a compliance rate of 97.3 per cent. However, after carefully reviewing this methodology, it was determined that a more accurate measurement of the percentage of liquor licensees who comply with legislation, regulation and policy would be derived by measuring the percentage of licensees who comply in comparison to the average number of licensees in the province. During 2002-2003, there were an average of 6,438 liquor licensees. 235 of these licensees were issued a penalty, resulting in a compliance rate of 96.3 per cent under the new methodology compared to 98.0 per cent under the previous methodology. The results achieved for this performance measure have been restated above to reflect the application of the new methodology.

A licensee is considered to be in compliance if they have not had a penalty issued under the *Gaming and Liquor Act*, Regulation, or AGLC policy.

Penalties refer to specified penalties assessed by the Board of the AGLC. It also includes other penalties that may be imposed by the Hearing Panel of the Board. All penalties are listed on the AGLC website at www.aglc.gov.ab.ca.

Alberta Gaming and Liquor Commission

Performance Measures

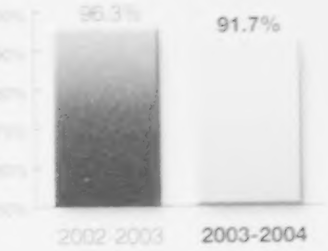
Core Business 1

Key Results

In 2003-2004, there were an average of 6,569 liquor licensees. 546 of these licensees, or 8.3 per cent, received a penalty for a violation of the *Gaming and Liquor Act*, Gaming and Liquor Regulation or AGLC policy. The remaining 6,023 liquor licensees, or 91.7 per cent, were in compliance with the legislation, regulation or policy.

Under both methodologies, the rate of compliance in 2003-2004 is less than that of 2002-2003. This is largely because of the high number of penalties issued to licensees under the *Gaming and Liquor Act* for not requesting photo identification from individuals who appear to be under the age of 25. A full listing of all of the penalties issued can be found on the AGLC website at www.aglc.gov.ab.ca.

Liquor industry compliance with legislation, regulations and policy



Alberta Gaming and Liquor Commission

Performance Measures

Core Business 1

Performance Measure 2

	2001-2002		2002-2003		**2003-2004**	
	Target	Result	Target	Result	Target	**Result**
Percentage of licences and registrations approved within established timeframes.	95%	99.8%	97%	98.8%	98%	**99.4%**

About the Results

The AGLC is committed to providing superior service to its stakeholders, partners and the public. For this performance measure, service is measured by whether or not response time targets are met for clients applying for liquor licences and registrations.

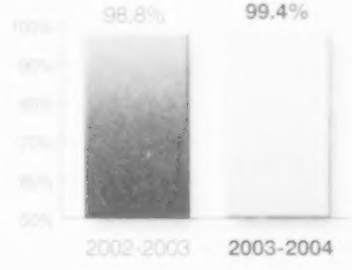
Response times are measured in working days. They are calculated from the date all the information is received from the client applying for a licence, to the date when the application process is finalized. The documents are date stamped by the AGLC when they are received and filed for final processing.

The results equal the ratio of applications processed within established timeframes to the total applications processed during the period. The results for new licences were derived from a random sample of 100 licences to test for completion dates.

Key Results

In 2003-2004, over 2,100 licenses and registrations were issued and 99.4 per cent were completed within established timeframes.

Liquor licences and registrations approved within established timeframes



Supplemental Information

The AGLC issues several different types of liquor-related licenses including:

- New licences, which refers to licences issued to individuals or organizations for the sale and consumption of liquor.
- Special Event licences, which allow the licence holder to host a function with liquor service. Special event functions are for a limited duration and the licence holders can be individuals, not-for-profit organizations or companies.

The AGLC also registers liquor agencies. A liquor agency registration allows the licence holder to represent a liquor supplier in the sale of the supplier's liquor products. Liquor agencies can be a company or an individual.

Type of Licence	Timeframes established for completion	Number of Licences Processed		Percentage Completed Within Timeframe	
		2002-2003	2003-2004	2002-2003	2003-2004
New Licences	21 days	1,124	**1,335**	98%	**99%**
Special Event Licences	14 days	736	**790**	100%	**100%**
Liquor Agency Registrations	7 days	29	**34**	100%	**100%**
		1,889	**2,159**	96.8%	**99.4%**

Performance Measure 3

	2001-2002		2002-2003		2003-2004	
	Target	Result	Target	Result	Target	**Result**
Percentage of liquor industry clients who are satisfied with level of service provided by AGLC.	Establish baseline	95%	Increase over 2001-02 baseline	92%	95%	**94%**

Alberta Gaming and Liquor Commission

Performance Measures

Core Business 1

About the Results

The AGLC is committed to providing excellent service to its clients. To determine liquor industry client satisfaction with the services provided by the AGLC, Research Innovations Inc. was commissioned to survey liquor industry clients. In January 2004, 362 of 6,310 liquor licensees and 153 of 255 registered liquor agencies were interviewed. The margin of error was no more than +/- 5 per cent with a confidence level of 95 per cent.

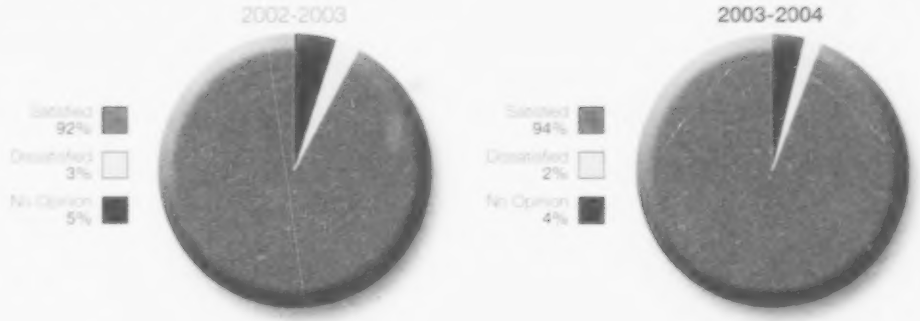
A random and representative sample of both client groups was asked to focus on the services provided to them by the AGLC over the past 12 months. Both client groups were asked to rate their satisfaction with three different aspects of service: response time, knowledge of employees, and courtesy of employees. In addition, they were asked to rate their overall satisfaction with the services provided by the AGLC. Possible responses were *very satisfied, satisfied, somewhat satisfied, somewhat dissatisfied, dissatisfied, very dissatisfied,* or *don't know*.

Overall satisfaction was calculated by weighting the results so that the number of respondents in each group was proportionate to their representation in the entire client population. Satisfaction ratings represent the total per cent of respondents indicating they were *very satisfied, satisfied,* or *somewhat satisfied* with the service.

Key Results

Overall satisfaction of liquor industry clients with the services provided by the AGLC in 2003-2004 is 94 per cent. Overall, satisfaction has increased two per cent from last year and dissatisfaction decreased one per cent.

Overall satisfaction with AGLC services



Alberta Gaming and Liquor Commission

Performance Measures

Core Business 2

Core Business 2

License and regulate charitable gaming activities

Alberta is a leader with its unique charitable gaming model for casino, pull-ticket, raffle and bingo events. These gaming activities only occur when eligible religious and charitable organizations apply for and receive licences to conduct gaming activities. Alberta's charitable gaming model ensures proceeds from gaming activities provide a benefit to the community.

●● Goals

Goal 2.1	**Gaming policy and activities comply with the *Criminal Code* (Canada) and the *Gaming and Liquor Act* and Regulation.**
Goal 2.2	**All gaming activities are conducted in accordance with legislation, regulation and policy.**

Alberta Gaming and Liquor Commission

Performance Measures

Core Business 2

Core Business 2 has three performance measures. These measures, the targets and results are discussed here.

Performance Measure 1

	2002-2003		**2003-2004**	
	Target	Result	Target	**Result**
Charitable gaming activities are conducted in accordance with legislation, regulations and policy.	92%	96.1%*	95%	**96.8%**

* Results for 2002-2003 have been restated based on new information.

About the Results

The Regulatory Division of the Commission conducts inspections and audits of charitable gaming activities to ensure licensees are complying with legislation, regulations and policy. Charitable gaming activities refer to bingo, casino table games, raffles and pull-tickets.

Compliance is monitored by inspection and audit of charitable gaming activities to determine whether the licensee adheres to legislation and policies for the specific licence.

Inspectors complete a report for each inspection conducted. An inspection involves an inspector reviewing the processes, procedures and/or activities at licensed premises, licensed facilities or at licensed gaming events to ensure they are being conducted in accordance with legislation and policy. If a significant violation is identified, one that would give rise to a penalty or hearing under the *Gaming and Liquor Act*, Regulation, or Board policy, an incident report is prepared and the matter is referred to the Executive Director, Regulatory Division, for a specified penalty or to the Board of the Commission for further action.

Similarly, the Regulatory Division prepares an audit report for each audit conducted. An audit involves a comprehensive analysis of the operations and/or financial records of a licensee to ensure the licensee is complying with the *Gaming and Liquor Act*, Regulation or Board policy. Again, if a significant violation is identified, one that would give rise to a penalty or hearing under the *Gaming and Liquor Act*, Regulation, or Board policy, an executive audit summary report is prepared and the matter is referred to the Executive Director, Regulatory Division, for a specified penalty or to the Board of the Commission for further action.

The results equal the ratio of the total number of inspections resulting in incident reports and audits that identify infractions during the period to the total number of inspections and audits conducted during the period.

Alberta Gaming and Liquor Commission

Performance Measures

Core Business 2

Key Results

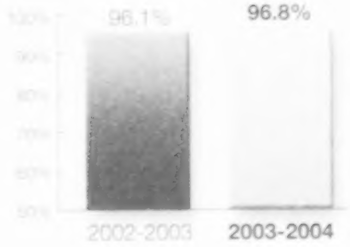
In 2003-2004, there were a total of 4,824 inspections and audits conducted in the gaming industry with 153 incident reports and/or infractions generated. The overall rate of compliance for 2003-2004 is 96.8 per cent.

2003-2004 Inspections and Audits

4,652	Inspections	39	incident reports	99.2%	compliance
172	licences audited	114	infractions reported	33.7%	compliance
4,824	Inspections/audits	153	incidents/infractions	96.8%	compliance

A lower rate of compliance is expected with audits, as opposed to inspections, as the majority of audits are initiated by complaints from the public or referrals from other branches of the Commission or the Department of Gaming.

Charitable gaming compliance with legislation, regulations and policy



Performance Measure 2

	2001-2002		2002-2003		2003-2004	
	Target	Result	Target	Result	Target	**Result**
Percentage of licences and registrations processed within established timeframes.	95%	97.8%	97%	98.3%	98%	**98.6%**

About the Results

The AGLC is committed to providing superior service to its stakeholders, partners and the public.

For this performance measure, service is measured by whether or not response time targets are met for customers applying for licences and registrations. Response times are calculated from the date the complete documentation is received to the final processing date of the applications. Results equal the ratio of applications completed within established timeframes to the total number of applications processed during the period.

Alberta Gaming and Liquor Commission

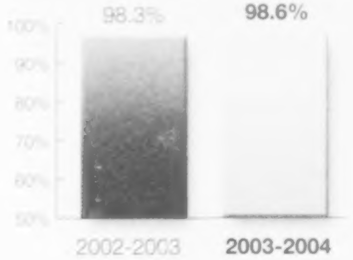
Performance Measures

Core Business 2

Key Results

In 2003-2004, 9,562 charitable gaming licences and registrations were processed with 98.6 per cent of licences and registrations completed within established timeframes.

Licences and registrations completed within established timeframes



Supplemental Information

In each gaming stream the majority of licences and registrations were completed within the established timeframes.

Type of Licence or Registration	Timeframes established for completion	Number Processed		Percentage Completed Within Timeframe	
		2002-2003	**2003-2004**	2002-2003	**2003-2004**
Bingo Licences	12 weeks	1,577	**1,281**	96.5%	**99.3%**
Casino Licences	12 weeks	2,923	**2,962**	100.0%	**96.4%**
Pull-Ticket Licences	4 weeks	371	**262**	74.1%	**95.0%**
Raffle Licences	8 weeks	317	**320**	97.8%	**99.4%**
Gaming Worker Registrations	6 weeks	4,192	**4,737**	100.0%	**100.0%**
		9,380	**9,562**	98.3%	**98.6%**

Alberta Gaming and Liquor Commission

Performance Measures

Core Business 2

Performance Measure 3

	2001-2002		2002-2003		**2003-2004**	
	Target	Result	Target	Result	Target	**Result**
Percentage of gaming industry clients who are satisfied with level of service provided by AGLC.	Establish baseline	95%	Increase over 2001-02 baseline	95%	95%	**97%**

About the Results

Research Innovations Inc. was commissioned to survey charitable gaming licensees to assess their level of satisfaction with the services provided by the AGLC. In January, 2004, telephone interviews were conducted with:

- 284 of the 1,089 bingo licensees;
- 337 of the 2,723 casino licensees;
- 151 of the 248 raffle licensees; and
- 149 of the 242 pull-ticket licensees.

The sampling size provides a margin of error of no more than +/- 5% with a confidence level of 95 per cent. The survey methodology ensured that charitable groups that held more than one type of gaming licence during the period were surveyed only once.

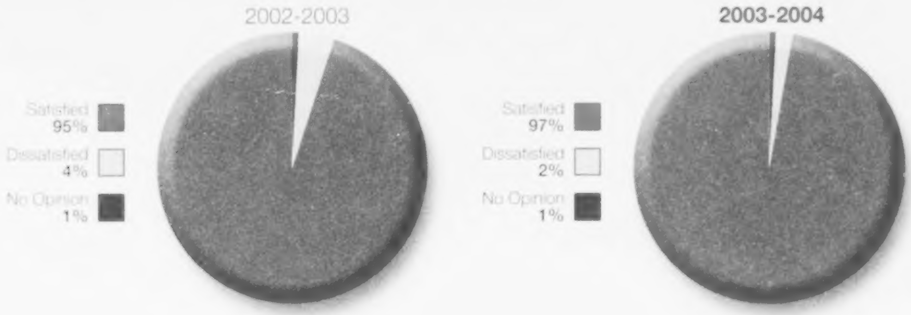
A random and representative sample of client groups was asked to focus on the services provided to them by the AGLC over the past 12 months. Client groups were asked to rate their satisfaction with three different aspects of service during the past twelve months: response time, knowledge of employees and courtesy of employees. In addition, they were asked to rate their overall satisfaction with the services provided by the AGLC. Possible responses were *very satisfied, satisfied, somewhat satisfied, somewhat dissatisfied, dissatisfied, very dissatisfied,* or *don't know*.

To calculate overall satisfaction with services received from the AGLC, the results were weighted so that the number of respondents in each group (bingos, casinos, raffles and pull-tickets) was proportionate to their representation in the entire client population. Satisfaction ratings represent the total per cent of respondents indicating they were *very satisfied, satisfied,* or *somewhat satisfied* with the service.

Key Results

The four charitable gaming client groups' combined overall satisfaction with the services provided by the AGLC is 97 per cent, which is a 2 per cent increase from 2002-2003.

Gaming industry satisfaction with AGLC services



Performance Measures

Core Business 3

Core Business 3

Conduct and manage provincial gaming activities

The AGLC is responsible for the conduct and management of electronic gaming in Alberta under the authority of the *Criminal Code* (Canada), provincial legislation and policy. The AGLC owns and operates video lottery terminals and electronic bingo units in licensed premises, and slot machines in casino facilities and Racing Entertainment Centres. The AGLC, in partnership with the Western Canada Lottery Corporation (WCLC), also conducts and manages ticket lotteries and Keno in the province.

Goals

Goal 3.1	**All provincial gaming activities are conducted in accordance with legislation and policy.**
Goal 3.2	**Gaming operations are efficient and effective.**
Goal 3.3	**The return to charities is enhanced by the introduction of provincial gaming.**

Alberta Gaming and Liquor Commission

Performance Measures

Core Business 3

Core Business 3 has two performance measures. These measures, the targets and results are discussed here.

Performance Measure 1

	2001-2002		2002-2003		2003-2004	
	Target	Result	Target	Result	Target	**Result**
Retailer satisfaction with AGLC services related to VLTs, slot machines and ticket lotteries.	80%	98%	90%	98%	92%	**98%**

About the Results

In this performance measure, service refers to Hotline and field repair services for video lottery terminals and ticket lottery terminals, and field repair services for slot machines.

Research Innovations Inc. was commissioned to survey video lottery terminal retailers, lottery ticket retailers and casino operators/slot machine retailers. In January 2004, telephone interviews were conducted with: 287 of the 1,136 video lottery terminal retailers; 325 of 2,098 lottery ticket retailers; and 15 of 18 casino operators/slot machine retailers. The margin of error was no more than +/- 5 per cent with a confidence level of 95 per cent. A random and representative sample of the client groups was interviewed.

Retailers were asked to rate their satisfaction with various aspects of the Hotline services and field repair services they received from the AGLC over the past 12 months. Clients were asked to base their level of satisfaction on six choices: *very satisfied, satisfied, somewhat satisfied, somewhat dissatisfied, dissatisfied, or very dissatisfied*. Satisfaction ratings represent the total per cent of respondents indicating they were *very satisfied, satisfied, or somewhat satisfied* with the service. To calculate overall satisfaction with all services received from the AGLC, the data was weighted so that the number of clients in each group was proportionate to their representation in the entire client population.

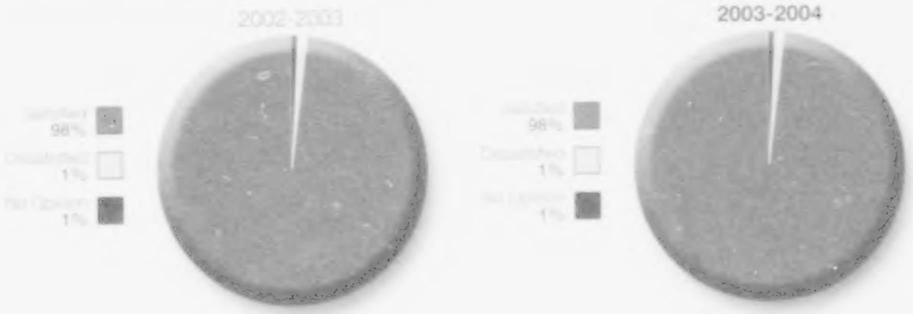
Key Results

The three client groups' overall satisfaction with the services provided by the AGLC is 98 per cent. This is the same level of satisfaction found in 2002-2003.

Performance Measures

Core Business 3

Retailer satisfaction with AGLC services



Supplemental Information

Video Lottery Terminal Retailers rated their satisfaction with Hotline services based on the level of courtesy (100 per cent), knowledge shown by Hotline Operators (99 per cent), and speed at which calls were answered (93 per cent). Satisfaction was rated for field repair services based on level of courtesy (99 per cent), quality of technicians' repairs (98 per cent), and response time (90 per cent).

Lottery Ticket Retailers rated their satisfaction with Hotline services based on the level of courtesy (97 per cent), knowledge shown by Hotline Operators (96 per cent), and speed at which calls were answered (90 per cent). Satisfaction was rated for field repair services based on level of courtesy (96 per cent), quality of technician's repairs (96 per cent), and response time (90 per cent).

Slot Machine Retailers rated their satisfaction with field repair services based on level of courtesy (93 per cent) and quality of technicians' repairs (93 per cent).

Performance Measure 2

	2001-2002		2002-2003		2003-2004	
	Target	Result	Target	Result	Target	**Result**
Percentage of gaming integrity issues resolved within established timeframes.	80%	82.2%	85%	97.8%	90%	**96.2%**

Alberta Gaming and Liquor Commission

Performance Measures

Core Business 3

About the Results

Maintaining the integrity and accountability of gaming in Alberta is essential. The AGLC works with stakeholders to ensure games are operated fairly and according to consistently applied rules and procedures.

For this performance measure, gaming integrity issues refers to any dispute about the operation of the gaming equipment, any credit dispute involving a player or retailer, or any perceived illegal or unethical behaviour by a retailer, player or AGLC employee.

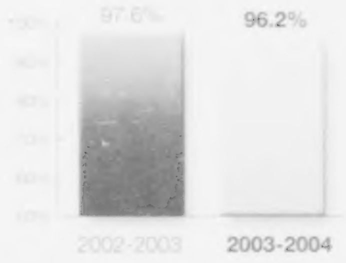
AGLC inspectors resolve the majority of gaming integrity issues. Those that cannot be resolved by Inspectors are forwarded to the AGLC Response Team, which is composed of representatives from most divisions of the AGLC. The timely resolution of these matters is essential and the Response Team's goal is to address and resolve these issues through fair and impartial review within 30 days of receipt.

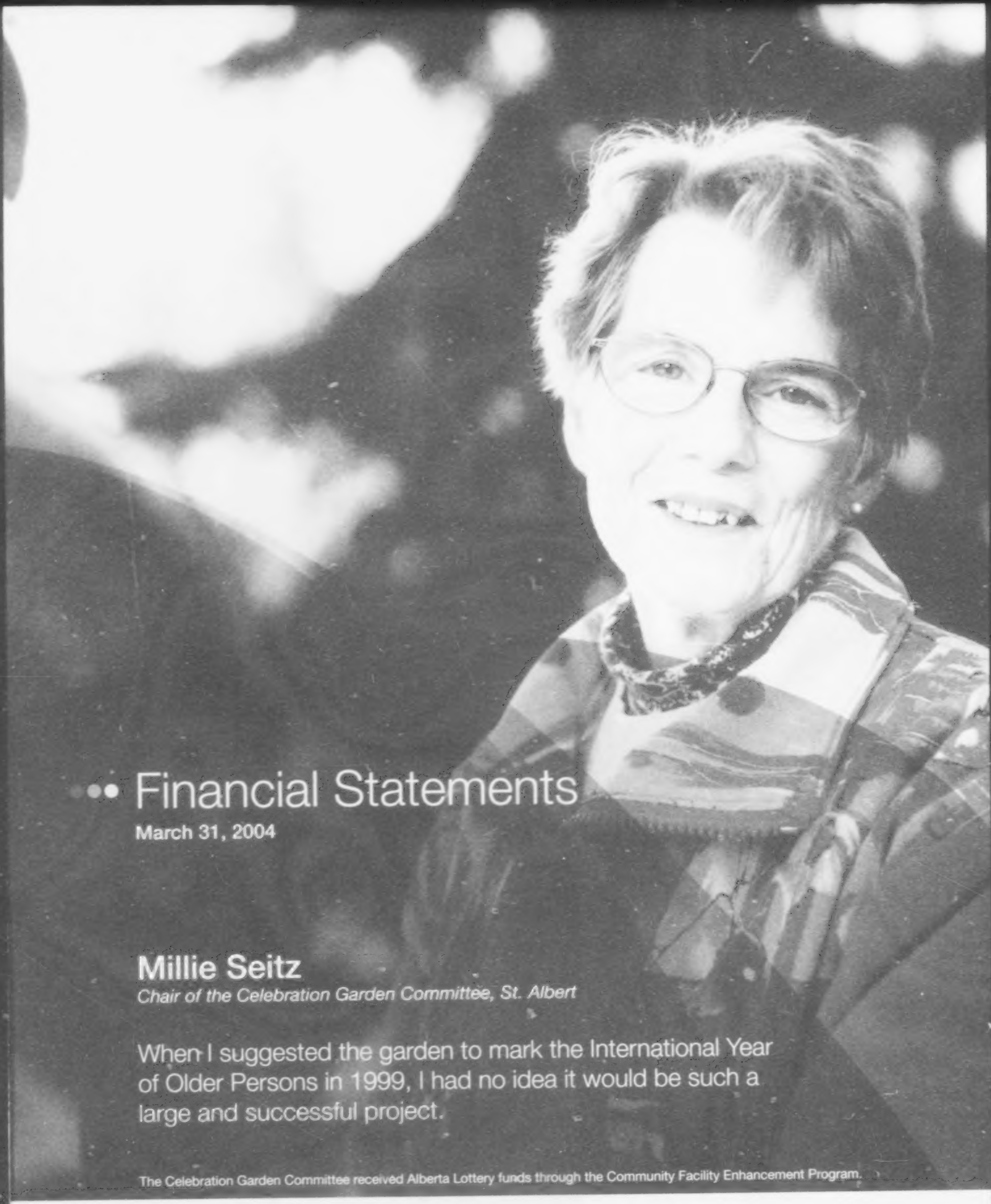
Integrity issues forwarded to the AGLC Response Team are entered into the AGLC Response Team Incident Manager database. When the issue is resolved, the resolution and the date of the resolution are also entered into the database and the parties are notified. A report generated for this measure is based on a calculation between the date the matter was received by the Response Team and the date the matter was resolved.

Key Results

In 2003-2004, the Response Team resolved 209 issues and 96.2 per cent of these were resolved within 30 days. Compared to 97.6 per cent in 2002-2003.

Gaming integrity issues resolved within established timeframes





Financial Statements

March 31, 2004

Millie Seitz

Chair of the Celebration Garden Committee, St. Albert

When I suggested the garden to mark the International Year of Older Persons in 1999, I had no idea it would be such a large and successful project.

The Celebration Garden Committee received Alberta Lottery funds through the Community Facility Enhancement Program.

Auditor's Report

AUDITOR
GENERAL
Alberta

To the Members of the Legislative Assembly

I have audited the consolidated statement of financial position of the Ministry of Gaming as at March 31, 2004 and the consolidated statements of operations and cash flow for the year then ended. These consolidated financial statements are the responsibility of the Ministry's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Ministry of Gaming as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn

Fred Dunn, FCA
Auditor General

Edmonton, Alberta
May 21, 2004

Ministry of Gaming
Consolidated Statement of Operations
Year ended March 31, 2004 (thousands of dollars)

	Budget (Note 5 and Schedule 3)	2004 Actual	2003 Actual
Revenues (Schedule 1)			
Net income from Alberta Gaming and Liquor Commission			
Lottery revenue	$ 1,093,229	$ 1,125,194	$ 1,089,666
Liquor revenue	545,899	556,608	534,715
Investment income	6,000	6,917	8,592
Other revenue	-	236	212
	1,645,128	1,688,955	1,633,185
Expenses – Directly Incurred (Note 2c and Schedule 5)			
Voted (Schedule 2)			
Ministry support services	2,118	1,664	1,364
Gaming research	1,600	1,548	1,557
Lottery funded programs	146,601	139,557	120,010
Lottery Fund payments to other Ministries	952,781	992,185	976,450
	1,103,100	1,134,954	1,099,381
Statutory			
Valuation adjustments			
Provision for vacation pay	-	4	45
Total expenses	1,103,100	1,134,958	1,099,426
Net operating results	$ 542,028	$ 553,997	$ 533,759

The accompanying notes and schedules are part of these consolidated financial statements.

Ministry of Gaming

Consolidated Statement of Financial Position

March 31, 2004 (thousands of dollars)

		2004		2003
Assets				
Cash (Note 3)	$	80,574	$	86,521
Accounts receivable and accrued interest		106		300
Equity in Alberta Gaming and Liquor Commission (Note 4)		188,676		184,283
	$	269,356	$	271,104
Liabilities				
Accounts payable and accrued liabilities	$	77,192	$	80,965
Net assets				
Net assets, beginning of year		190,139		179,022
Net operating results		553,997		533,759
Net transfer to General Revenues		(551,972)		(522,642)
Net assets, end of year		192,164		190,139
	$	269,356	$	271,104

The accompanying notes and schedules are part of these consolidated financial statements.

Ministry of Gaming

Consolidated Statement of Cash Flow

Year ended March 31, 2004 (thousands of dollars)

		2004		2003
Operating transactions				
Net operating results	$	553,997	$	533,759
Non-cash items				
Valuation adjustments		4		45
Undistributed profit of Alberta Gaming and Liquor Commission		(4,393)		(18,277)
		549,608		515,527
Decrease in accounts receivable and accrued interest		194		4
(Decrease) increase in accounts payable and accrued liabilities before valuation adjustments		(3,777)		40,995
Cash provided by operating transactions		546,025		556,526
Financing transactions				
Net transfer to General Revenues		(551,972)		(522,642)
(Decrease) Increase in cash		(5,947)		33,884
Cash, beginning of year		86,521		52,637
Cash, end of year	$	80,574	$	86,521

The accompanying notes and schedules are part of these consolidated financial statements.

NOTE 1 Authority and Purpose

The Minister of Gaming (Minister) has, by the *Government Organization Act* and its regulations, been designated responsible for various Acts. To fulfill these responsibilities, the Minister is responsible for the organizations listed in Note 2(a). The authority under which each organization operates is also listed in Note 2(a). Together these organizations form the Ministry of Gaming (Ministry).

The purpose of the Ministry is to administer the Alberta Lottery Fund; to license, regulate and monitor liquor and gaming activities, as well as certain aspects of tobacco sales; to develop and communicate provincial gaming and liquor policy; and to administer certain lottery-funded programs.

NOTE 2 Summary of Significant Accounting Policies and Reporting Practices

The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate. These consolidated financial statements are prepared in accordance with the following accounting policies that have been established by government for all ministries.

(A) REPORTING ENTITY

The reporting entity is the Ministry of Gaming. The *Government Accountability Act* defines a Ministry as including the Department and any Provincial agency and Crown-controlled organization for which the Minister is responsible. These consolidated financial statements include the accounts of the Department of Gaming (*Government Organization Act*), the Lottery Fund (*Gaming and Liquor Act*), and the Alberta Gaming and Liquor Commission (*Gaming and Liquor Act*).

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net transfer to General Revenues is the difference between all cash receipts and all cash disbursements made.

NOTE 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(B) BASIS OF CONSOLIDATION

The accounts of the Department and the Lottery Fund have been consolidated. Revenue and expense transactions, investing and financing transactions, and related asset and liability accounts between the consolidated organizations are eliminated upon consolidation.

The accounts of the Alberta Gaming and Liquor Commission, which is designated as a commercial enterprise, are reported on the modified equity basis, the equity being computed in accordance with Canadian generally accepted accounting principles.

(C) BASIS OF FINANCIAL REPORTING

Revenues

All revenues are reported on the accrual basis of accounting.

Expenses

Grants provided through the Lottery Funded Programs are recognized as an expense when the eligibility criteria for the grant program have been met and the application has been approved by the Minister or his designate.

Directly Incurred

Directly incurred expenses are those costs the Ministry has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses like salaries, supplies, etc., directly incurred expenses also include:
- pension costs, which comprise the cost of employer contributions for current service of employees during the year.
- valuation adjustments, represent the change in management's estimate of future payments arising from obligations relating to vacation pay.

Incurred by Others

Services contributed by other entities in support of the Ministry operations are disclosed in Schedule 5.

NOTE 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(C) BASIS OF FINANCIAL REPORTING (continued)

Assets

Financial assets of the Ministry are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Liabilities

Liabilities represent all financial claims payable by the Ministry at fiscal year end.

Net Assets

Net assets represent the difference between the carrying value of assets held by the Ministry and its liabilities.

Valuation of financial assets and liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable and accrued interest, and accounts payable and accrued liabilities are estimated to approximate their carrying values.

NOTE 3 Cash

Cash consists of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short-term and mid-term fixed income securities with a maximum term to maturity of three years. As at March 31, 2004, securities held by the CCITF have an average effective market yield of 2.11% per annum (March 31, 2003; 3.23% per annum). Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

NOTE 4 Equity in Alberta Gaming and Liquor Commission (AGLC)

(thousands of dollars)		2004		2003
Equity in AGLC, beginning of year	$	184,283	$	166,006
Total revenues		19,829,486		18,341,827
Total expenses		(18,147,684)		(16,717,446)
Net transfer and other adjustments		(1,677,409)		(1,606,104)
Equity in AGLC, end of year	$	188,676	$	184,283

NOTE 5 Budget

The budget amounts, shown on the Statement of Operations, agree with the 2003-04 amounts for the Ministry of Gaming included in the Government and Lottery Fund Estimates that were approved under the *Appropriation Act* on May 16, 2003.

The responsibility for the First Nations Development Fund was transferred to the Department of Gaming from Community Development in October 2003. Since no First Nations casinos were operational in 2003-04, no funding was available for distribution from the First Nations Development Fund and the related budget was retained by Community Development for 2003-04.

NOTE 6 Commitments

As at March 31, 2004, the Ministry has commitments for leased properties ranging from one to 28 years. Most of these properties have been subleased to third parties. The Ministry remains liable for the leases should the sublessors default on their obligations to the Ministry. The aggregate future minimum lease payments are:

(thousands of dollars)		
2004-2005	$	1,713
2005-2006		1,491
2006-2007		1,309
2007-2008		1,166
2008-2009		896
Balance to expiry		4,815
	$	11,390

Estimated future revenues to be derived from subleases amount to $6.7 million at March 31, 2004. Provision for loss has been made where the payments to be received on the subleases are less than the lease payments to be made.

NOTE 7 Contingencies

At March 31, 2004, the Ministry is a defendant in 12 legal claims (2003 – eleven legal claims). Nine of these claims have a specified amount totaling $144 million and the remaining three have not specified any amount (2003 – nine claims with a specified amount of $144 million and two with no specified amount). Included in this total are four claims amounting to $107 million, in which the Ministry has been jointly named with other entities. Two claims with no specified amount are covered by the Alberta Risk Management Fund. The resulting loss, if any, from these claims cannot be determined.

NOTE 8 Defined Benefit Plans

(thousands of dollars)

The Ministry participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Ministry also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $1,892 for the year ended March 31, 2004 (2003 $1,440). In addition, the Ministry contributes to the Western Canada Lottery Corporation (WCLC) Pension Plan. The Ministry's portion of the WCLC pension expense is $228 for the year ended March 31, 2004 (2003 $303).

At December 31, 2003, the Management Employees Pension Plan reported a deficiency of $290,014 (2002 – deficiency of $301,968) and the Public Service Pension Plan reported an actuarial deficiency of $596,213 (2002 – actuarial deficiency $175,528). At December 31, 2003, the Supplementary Retirement Plan for Public Service Managers had an actuarial surplus of $9.312 (2002 – actuarial surplus $6,472). The Ministry's portion of the WCLC deficiency as at March 31, 2004 is $16 (2003 – deficiency $520).

The Ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2004, the Bargaining Unit Plan reported an actuarial deficiency of $9,766 (2003 – actuarial deficiency of $14,434) and the Management, Opted Out and Excluded Plan reported an actuarial surplus of $1,298 (2003 – actuarial deficiency $3.053). The expense for these two plans is limited to employer's annual contributions for the year.

NOTE 9 Approval of Financial Statements

These consolidated financial statements were approved by the Senior Financial Officer and the Deputy Minister of Gaming.

Ministry of Gaming

Revenues

Year ended March 31, 2004 (thousands of dollars)

		Budget (Note 5)		2004 Actual		2003 Actual
Net income from commercial operations						
Lottery						
Video lottery terminal revenue	$	603,244	$	577,252	$	594,456
Casino gaming terminal revenue		455,654		480,060		405,165
Ticket lottery revenue		167,608		171,610		174,696
		1,226,506		1,228,922		1,174,317
Cost of operations		(133,277)		(103,728)		(84,651)
		1,093,229		1,125,194		1,089,666
Liquor						
Liquor and related revenue		564,772		571,732		548,596
Cost of operations		(18,873)		(15,124)		(13,881)
		545,899		556,608		534,715
		1,639,128		1,681,802		1,624,381
Investment income						
Lottery fund interest revenue		6,000		6,917		8,592
Other revenue						
Refunds of grants and other expenses		-		236		212
Total revenues	$	1,645,128	$	1,688,955	$	1,633,185

Ministry of Gaming

Schedule 2

Expenses - Directly Incurred Detailed by Object

Year ended March 31, 2004 (thousands of dollars)

		2004 Budget		2004 Actual		2003 Actual
Voted expenses						
Salaries, wages and employee benefits	$	2,750	$	2,250	$	2,149
Supplies and services		2,660		2,177		2,132
Supplies and services from Support Service Arrangements with Related Parties(a)		-		-		63
Grants		1,097,630		1,130,473		1,094,984
Financial transactions and other		60		54		53
Total voted expenses	$	1,103,100	$	1,134,954	$	1,099,381
Statutory						
Valuation adjustments						
Provision for vacation pay		-		4		45
	$	1,103,100	$	1,134,958	$	1,099,426

(a) The Department received financial and administrative services from the Department of Community Development. This arrangement ended at March 31, 2003.

Ministry of Gaming

Schedule 3

Budget

Year ended March 31, 2004 (thousands of dollars)

			2004
	Estimates	Adjustment	Authorized Budget
Revenues			
Net Income from Alberta Gaming and Liquor Commission			
Video lottery terminal revenue	$ 603,244	$ -	$ 603,244
Casino gaming terminal revenue	455,654	-	455,654
Ticket lottery revenue	167,608	-	167,608
Lottery operations	(133,277)	-	(133,277)
Liquor and related revenue	564,772	-	564,772
Liquor operations	(18,873)	-	(18,873)
Investment Income			
Lottery Fund interest revenue	6,000	-	6,000
	1,645,128	-	1,645,128
Expenses			
Voted expenses			
Ministry support services	2,118	-	2,118
Gaming research	1,600	-	1,600
Lottery funded programs	146,601	-	146,601
Lottery Fund payments to other Ministries	952,781	-	952,781
	1,103,100	-	1,103,100
Net operating results	$ 542,028	$ -	$ 542,028
Capital investment	$ -	$ -	$ -

Ministry of Gaming

Schedule 4

Related Party Transactions

Year ended March 31, 2004 (thousands of dollars)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Ministry.

The Ministry and its employees paid or collected certain taxes and fees set by regulation for permits, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this schedule.

The Ministry had the following transactions with related parties recorded in the Statement of Operations at the amount of consideration agreed upon between the related parties:

	Other Entities	
	2004	2003
Expenses – Directly incurred		
Grants	**$ 992,185**	$ 976,450
Other services	**96**	148
	$ 992,281	$ 976,598
Payable to Alberta Finance	**$ 51,275**	$ 72,243

The above transactions do not include support service arrangement transactions disclosed in Schedule 2.

The Ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements and are disclosed in Schedule 5.

	Other Entities	
	2004	2003
Expenses – Incurred by others		
Legal	**$ 31**	$ 9

ALBERTA
LOTTERY FUND

Ministry of Gaming

Schedule 5

Allocated Costs

Year ended March 31, 2004 (thousands of dollars)

				2004	2003
		Expenses – Incurred by Others	Valuation Adjustments		
Program	Expenses(1)	Legal Services(2)	Vacation Pay(3)	Total Expenses	Total Expenses
Ministry support services	$ 1,664	$ 31	$ 3	$ 1,698	$ 1,399
Gaming research	1,548	-	-	1,548	1,557
Lottery funded programs	139,557	-	1	139,558	120,029
Lottery Fund payments to other Ministries	992,185	-	-	992,185	976,450
	$ 1,134,954	$ 31	$ 4	$ 1,134,989	$ 1,099,435

(1) Expenses – Directly Incurred as per Consolidated Statement of Operations before valuation adjustments.

(2) Costs shown for Legal Services, per Schedule 5, are allocated to each program by estimated costs incurred.

(3) Vacation Adjustments, per Statement of Operations, are allocated to each program by employee.

Auditor's Report

AUDITOR
GENERAL
Alberta

To the Minister of Gaming

I have audited the statement of financial position of the Department of Gaming as at March 31, 2004 and the statements of operations and cash flow for the year then ended. These financial statements are the responsibility of the Department's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Department as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn

Fred Dunn, FCA
Auditor General

Edmonton, Alberta
May 21, 2004

Department of Gaming
Statement of Operations
Year ended March 31, 2004 (thousands of dollars)

		2004	
	Budget (Note 4)	**Actual**	2003 Actual
Revenues (Schedule 1)			
Internal government transfers	**$ 692,347**	**$ 696,539**	$ 656,690
Other revenue	**-**	**231**	45
	692,347	**696,770**	656,735
Expenses - Directly Incurred (Note 2b and Schedule 6)			
Voted expenses (Schedules 2 and 3)			
Ministry support services	**2,118**	**1,664**	1,364
Gaming research	**1,600**	**1,548**	1,557
Lottery funded programs	**146,601**	**139,557**	120,010
	150,319	**142,769**	122,931
Statutory (Schedules 2 and 3)			
Valuation adjustments			
Provision for vacation pay	**-**	**4**	45
Total expenses	**150,319**	**142,773**	122,976
Net operating results	**$ 542,028**	**$ 553,997**	$ 533,759

The accompanying notes and schedules are part of these financial statements.

Department of Gaming
Statement of Financial Position

March 31, 2004 (thousands of dollars)

	2004	2003
Assets		
Cash	$ -	$ 56
Accounts receivable (Note 3)	166,770	146,046
	$ 166,770	$ 146,102
Liabilities		
Accounts payable and accrued liabilities	$ 27,381	$ 8,738
Net assets		
Net assets, beginning of year	137,364	126,247
Net operating results	553,997	533,759
Net transfer to General Revenues	(551,972)	(522,642)
Net assets, end of year	139,389	137,364
	$ 166,770	$ 146,102

The accompanying notes and schedules are part of these financial statements.

Department of Gaming
Statement of Cash Flow
Year ended March 31, 2004 (thousands of dollars)

		2004		2003
Operating transactions				
Net operating results	$	553,997	$	533,759
Non-cash items:				
Valuation adjustments		4		45
		554,001		533,804
Increase in accounts receivable		(20,724)		(8,233)
Increase (Decrease) in accounts payable and accrued liabilities before valuation adjustments		18,639		(2,873)
Cash provided by operating transactions		551,916		522,698
Financing transactions				
Net transfer to General Revenues		(551,972)		(522,642)
(Decrease) Increase in cash		(56)		56
Cash, beginning of year		56		-
Cash, end of year	$	-	$	56

The accompanying notes and schedules are part of these financial statements.

Department of Gaming
Notes to the Financial Statements
March 31, 2004

NOTE 1 Authority and Purpose

The Department of Gaming (Department) operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000.

The purpose of the Department is to develop and communicate provincial gaming and liquor policy and to administer certain lottery-funded programs.

NOTE 2 Summary of Significant Accounting Policies and Reporting Practices

The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate. These financial statements are prepared in accordance with the following accounting policies that have been established by government for all departments.

(A) REPORTING ENTITY

The reporting entity is the Department of Gaming, which is part of the Ministry of Gaming (Ministry) and for which the Minister of Gaming (Minister) is accountable. The Minister is also responsible for the Alberta Gaming and Liquor Commission and the Lottery Fund, but their activities are not included in these financial statements. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net transfer to General Revenues is the difference between all cash receipts and all cash disbursements made.

NOTE 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(B) BASIS OF FINANCIAL REPORTING

Revenues

All revenues are reported on the accrual basis of accounting.

Internal government transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Expenses

Grants provided through the Lottery Funded Programs are recognized as an expense when the eligibility criteria for the grant program have been met and the application has been approved by the Minister or his designate.

Directly Incurred

Directly incurred expenses are those costs the Department has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses include:

- pension costs, which comprise the cost of employer contributions for current service of employees during the year; and
- valuation adjustments, represent the change in management's estimate of future payments arising from obligations relating to vacation pay.

Incurred by Others

Services contributed by other entities in support of the Department operations are disclosed in Schedule 6.

Department of Gaming
Notes to the Financial Statements
March 31, 2004

NOTE 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(B) BASIS OF FINANCIAL REPORTING (continued)

Assets

Financial assets of the Department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Liabilities

Liabilities represent all financial claims payable by the Department at fiscal year end.

Net assets

Net assets represent the difference between the carrying value of assets held by the Department and its liabilities.

Valuation of financial assets and liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable, and accounts payable and accrued liabilities are estimated to approximate their carrying values.

NOTE 3 Accounts Receivable

Amounts due from the Alberta Gaming and Liquor Commission and the Lottery Fund are unsecured and non-interest bearing. The full amount of the receivable is considered collectible.

NOTE 4 Budget

The budget amounts, shown on the Statement of Operations, agree with the 2003-04 amounts for the Department of Gaming included in the Government and Lottery Fund Estimates that were approved under the *Appropriation Act* on May 16, 2003.

The responsibility for the First Nations Development Fund was transferred to the Department of Gaming from Community Development in October 2003. Since no First Nations casinos were operational in 2003-04, no funding was available for distribution from the First Nations Development Fund and the related budget was retained by Community Development for 2003-04.

NOTE 5 Contingencies

As at March 31, 2004, the Department is a defendant in three legal claims (2003 – four legal claims). These claims have specified amounts totaling $125 million (2003 – three claims with specific amounts totaling $125 million and one claim with no specified amount). The resulting loss, if any, from these claims cannot be determined.

NOTE 6 Defined Benefit Plans

(thousands of dollars)

The Department participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Department also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $182 for the year ended March 31, 2004 (2003 $136).

At December 31, 2003, the Management Employees Pension Plan reported a deficiency of $290,014 (2002- deficiency $301,968) and the Public Service Pension Plan reported an actuarial deficiency of $596,213 (2002 – actuarial deficiency $175,528). At December 31, 2003, the Supplementary Retirement Plan for Public Service Managers had an actuarial surplus of $9,312 (2002 – actuarial surplus $6,472).

The Department also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2004, the Bargaining Unit Plan reported an actuarial deficiency of $9,766 (2003 - deficiency $14,434) and the Management, Opted Out and Excluded Plan reported an actuarial surplus of $1,298 (2003 - deficiency $3,053). The expense for these two plans is limited to employer's annual contributions for the year.

NOTE 7 Approval of Financial Statements

The financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Department of Gaming

Schedule 1

Revenues

Year ended March 31, 2004 (thousands of dollars)

		2004 Budget		2004 Actual		2003 Actual
Internal government transfers						
Transfer from Alberta Gaming and Liquor Commission	$	545,899	$	556,608	$	534,715
Transfer from Lottery Fund		146,448		139,931		121,975
		692,347		696,539		656,690
Other revenue						
Refunds of expenses		-		231		45
Total revenues	$	692,347	$	696,770	$	656,735

Department of Gaming

Schedule 2

Expenses - Directly Incurred Detailed by Object

Year ended March 31, 2004 (thousands of dollars)

		2004 Budget		2004 Actual		2003 Actual
Voted expenses						
Salaries, wages and employee benefits	$	2,750	$	2,250	$	2,149
Supplies and services		2,660		2,177		2,132
Supplies and services from Support Service Arrangements with Related Parties(a)		-		-		63
Grants		144,849		138,288		118,534
Financial transactions and other		60		54		53
Total voted expenses		150,319		142,769		122,931
Statutory						
Valuation adjustments						
Provision for vacation pay		-		4		45
	$	150,319	$	142,773	$	122,976

(a) The Department received financial and administrative services from the Department of Community Development. This arrangement ended March 31, 2003.

Department of Gaming

Schedule 3

Comparison of Expenses - Directly Incurred and Statutory Expenses by Element to Authorized Budget

Year ended March 31, 2004 (thousands of dollars)

	Budget	Authorized Supplementary	Authorized Budget	Actual Expense*	Unexpended (Over Expended)
Voted Expenses					
1 Ministry Support Services					
1.0.1 Minister's Office	$ 335	$ -	$ 335	$ 334	$ 1
1.0.2 Deputy Minister's Office	332	-	332	288	44
1.0.3 Strategic Services	1,226	-	1,226	850	376
1.0.4 Communications	225	-	225	192	33
	2,118	-	2,118	1,664	454
2 Gaming Research					
2.0.1 Gaming Research Institute - operating expense funded by lotteries	1,500	-	1,500	1,500	-
2.0.2 Gaming Research Council - operating expense funded by lotteries	100	-	100	48	52
	1,600	-	1,600	1,548	52
3 Lottery Funded Programs					
3.0.1 Lottery Program Administration	1,753	-	1,753	1,269	484
3.0.2 Community Facility Enhancement Program - operating expense funded by lotteries	38,500	-	38,500	38,457	43
3.0.3 Community Initiatives Program - operating expense funded by lotteries	30,000	-	30,000	30,000	-
3.0.4 Edmonton Northlands - operating expense funded by lotteries	7,100	-	7,100	7,100	-
3.0.5 Calgary Exhibition and Stampede - operating expense funded by lotteries	7,100	-	7,100	7,100	-
3.0.6 Major Exhibitions and Fairs - operating expense funded by lotteries	2,660	-	2,660	2,660	-
3.0.7 Racing Industry Renewal - operating expense funded by lotteries	37,000	-	37,000	37,000	-
3.0.8 Edmonton Oilers Ticket Lottery - operating expense funded by lotteries	2,700	-	2,700	633	2,067
3.0.9 Calgary Flames Ticket Lottery - operating expense funded by lotteries	2,700	-	2,700	633	2,067
3.0.10 Bingo Associations - operating expense funded by lotteries	4,000	-	4,000	1,617	2,383
3.0.11 Other Initiatives - operating expense funded by lotteries	13,088	-	13,088	13,088	-
	146,601	-	146,601	139,557	7,044
	$ 150,319	$ -	$ 150,319	$ 142,769	$ 7,550
Operating expense	$ 3,871	$ -	$ 3,871	$ 2,933	$ 938
Operating expense funded by lotteries	146,448	-	146,448	139,836	6,612
	$ 150,319	$ -	$ 150,319	$ 142,769	$ 7,550
Statutory Expenses					
Valuation adjustments	$ -	$ -	$ -	$ 4	$ (4)

* Includes achievement bonus amounting to $120

Department of Gaming

Salary and Benefits Disclosure

Year ended March 31, 2004

				2004	2003
	Base Salary[1]	Other Cash Benefits[2]	Other Non-cash Benefits[3]	Total	Total
Senior Official					
Deputy Minister[4]	$ 152,808	$ 49,258	$ 9,659	$ 211,725	$ 201,172
Executives					
Assistant Deputy Minister	113,064	16,557	26,086	155,707	153,927
Director – Strategic Services[5]	83,736	8,881	17,121	109,738	-
Director – Lottery Funded Programs	79,836	11,405	17,891	109,132	97,990
Director – Business Management and Policy[5]	-	-	-	-	139,093
Manager – Business Planning[5]	-	-	-	-	88,135

Prepared in accordance with Treasury Board Directive 03/2004.

[1] Base salary includes pensionable base pay.

[2] Other cash benefits include bonuses, vacation payments, payments in place of pension participation, and lump sum payments.

[3] Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long term disability plans, WCB premiums, professional memberships, and tuition fees.

[4] The incumbent's services are shared with the Alberta Gaming and Liquor Commission which contributes its own share of the cost of salary and benefits. Full salary and benefits are disclosed on this schedule and the Alberta Gaming and Liquor Commission reflects its contribution to the cost in its financial statements. Automobile provided, no dollar amount included in other non-cash benefits figures.

[5] The Manager - Business Planning position was created on August 1, 2001 and merged with the Director - Business Management and Policy position on March 1, 2003. The position was renamed Director - Strategic Services on April 1, 2003.

Department of Gaming

Schedule 5

Related Party Transactions

Year ended March 31, 2004 (thousands of dollars)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Department.

The Department and its employees paid or collected certain taxes and fees set by regulation for permits, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Department had the following transactions with related parties recorded in the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between related parties:

	Entities in the Ministry		Other Entities	
	2004	2003	**2004**	2003
Revenues				
Internal government transfers	**$ 696,539**	$ 656,690	**$ -**	$ -
Expenses – Directly incurred				
Other services	**$ -**	$ -	**$ 96**	$ 148
Receivable from	**$ 166,770**	$ 146,046	**$ -**	$ -
Payable to	**$ 4,133**	$ -	**$ -**	$ -

The above transactions do not include support service arrangement transactions disclosed in Schedule 2.

The Department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements and are disclosed in Schedule 6.

	Entities in the Ministry		Other Entities	
	2004	2003	**2004**	2003
Expenses – Incurred by others				
Accommodation	**$ 101**	$ 101	**$ -**	$ -
Other services	**-**	-	**31**	9
	$ 101	$ 101	**$ 31**	$ 9

Department of Gaming

Allocated Costs

Year ended March 31, 2004 (thousands of dollars)

Schedule 6

					2004	2003
		Expenses – Incurred by Others		Valuation Adjustments		
Program	Expenses[1]	Accommodation[2]	Legal Services[3]	Vacation Pay[4]	Total Expenses	Total Expenses
Ministry support services	$ 1,664	$ 39	$ 31	$ 3	$ 1,737	$ 1,459
Gaming research	1,548	-	-	-	1,548	1,557
Lottery funded programs	139,557	62	-	1	139,620	120,070
	$ 142,769	$ 101	$ 31	$ 4	$ 142,905	$ 123,086

[1] Expenses – Directly Incurred as per Statement of Operations excluding valuation adjustments.

[2] Costs shown for Accommodation, per Schedule 5, are allocated to each program by square footage.

[3] Costs shown for Legal Services, per Schedule 5, are allocated to each program by estimated costs incurred.

[4] Vacation Adjustments, per Statement of Operations, are allocated to each program by employee.

Auditor's Report

AUDITOR
GENERAL
Alberta

To the Members of the Alberta Gaming and Liquor Commission

I have audited the balance sheet of the Alberta Gaming and Liquor Commission as at March 31, 2004 and the statements of operations and cash flow for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn

Fred Dunn, FCA
Auditor General

Edmonton, Alberta
May 21, 2004

Alberta Gaming and Liquor Commission

Balance Sheet

March 31, 2004 (thousands of dollars)

		2004		2003
Assets				
Current Assets				
Cash (Note 3)	$	88,350	$	119,419
Accounts receivable		13,289		37,742
Prepaid expenses and inventories (Note 4)		11,600		8,070
		113,239		165,231
Property, Plant and Equipment (Note 5)		170,398		95,133
	$	283,637		260,364
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	$	90,476	$	71,214
Due to the Alberta Lottery Fund (Note 7)		29,323		38,537
		119,799		109,751
Due to General Revenues (Note 8)		159,354		145,746
Provision for Loss on Leased Properties (Note 13)		4,484		4,867
	$	283,637	$	260,364

The accompanying notes are part of these financial statements.

APPROVED BY MANAGEMENT:

Norman C. Peterson, CA
Chairman and Chief Executive Officer

H. Ronald Crosby, CA
Executive Director, Finance and Administration

Alberta Gaming and Liquor Commission

Statement of Operations

Year ended March 31, 2004 (thousands of dollars)

	Budget			2004 Actual	2003 Actual
	(Note 9)	Provincial Lotteries	Liquor and Other	Total	
Revenue					
Casino gaming & electronic racing terminals	$	$ 9,251,816	$ -	$ 9,251,816	$ 7,756,712
Video lottery terminals		8,617,950	-	8,617,950	8,711,686
Liquor		-	1,490,367	1,490,367	1,416,772
Ticket lottery		442,068	-	442,068	442,609
Electronic bingo		14,416	-	14,416	-
		18,326,250	1,490,367	19,816,617	18,327,779
Prizes And Cost Of Product					
Casino gaming & electronic racing terminals		8,568,860	-	8,568,860	7,176,122
Video lottery terminals		7,924,320	-	7,924,320	8,000,083
Liquor		-	931,504	931,504	882,224
Ticket lottery		230,379	-	230,379	227,737
Electronic bingo		11,731	-	11,731	-
		16,735,290	931,504	17,666,794	16,286,166
Gross Profit	2,151,329	1,590,960	558,863	2,149,823	2,041,613
Commission and Federal Payments (Note 10)	(370,969)	(362,038)	-	(362,038)	(332,748)
Other Income (Note 11)	10,918	-	12,869	12,869	14,048
Operating Expenses (Note 12)	(152,150)	(103,728)	(15,124)	(118,852)	(98,532)
Net Operating Results	$ 1,639,128	$ 1,125,194	$ 556,608	$ 1,681,802	$ 1,624,381

Alberta Gaming and Liquor Commission
Statement of Cash Flow
Year ended March 31, 2004 (thousands of dollars)

	2004	2003
Cash From Operations		
Net operating results for the year	$ 1,681,802	$ 1,624,381
Decrease in provision for loss on leased properties	(383)	(424)
Amortization	32,392	20,090
Loss (Gain) on disposal of property, plant and equipment	50	(1,105)
Change in Due to General Revenues from operating grant	-	(5,478)
Net change in non-cash working capital balances	40,185	(16,821)
	1,754,046	1,620,643
Remittances to the Alberta Lottery Fund	(1,134,408)	(1,079,626)
Remittances to General Revenues	(543,000)	(521,000)
	76,638	20,017
Cash used for investment		
Purchase of property, plant and equipment	(107,732)	(45,585)
Proceeds on disposal of property, plant and equipment	25	1,114
	(107,707)	(44,471)
Decrease in cash	(31,069)	(24,454)
Cash, beginning of year	119,419	143,873
Cash, end of year	$ 88,350	$ 119,419

NOTE 1 Authority and Purpose

The Alberta Gaming and Liquor Commission (the Commission) operates under the authority of the *Gaming and Liquor Act*, Chapter G-1, Revised Statutes of Alberta 2000.

The Commission conducts and manages provincial lotteries, carries out functions respecting gaming under the *Criminal Code of Canada*, and controls, in accordance with legislation, the manufacture, importation, sale and purchase of liquor for the Government of Alberta.

Amendments to the *Gaming and Liquor Act*, proclaimed June 24, 2002, allow the Commission to deduct operating expenses from the remittances to the Alberta Lottery Fund and General Revenues. The net proceeds, after the deduction of related operating expenses, arising from the conduct of authorized video lottery, casino gaming terminal operations, ticket lottery and electronic bingo in Alberta are remittable to the Alberta Lottery Fund. The net proceeds, after the deduction of related operating expenses, of liquor operations and other income are remittable to General Revenues.

Under the Excise Tax Act and Games of Chance (GST/HST) Regulations, the Commission is required to pay GST and Federal Tax on gaming operations. However, the Commission as a Crown agent of the Government of Alberta, has a tax-exempt status for its liquor and regulatory operations.

NOTE 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles applied on a consistent basis. The preparation of financial statements for a period necessarily involves the use of estimates. Actual results could differ from those estimates. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Joint Venture

Alberta's share of the operations of the Western Canada Lottery Corporation is accounted for as a joint venture using the proportionate consolidation method.

Inventories

Supplies inventories are valued at weighted average cost which is not in excess of net replacement value.

Inventory held on behalf of liquor suppliers or agents, and related duties and taxes, are not recorded in the financial statements.

NOTE 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable, accounts payable and accrued liabilities are estimated to approximate their carrying values.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated amortization. Amortization is calculated on the straight-line method at annual rates which will reduce the original cost to estimated residual value over the useful lives of the assets, as follows:

Buildings and leasehold improvements	2.5% or 10% (or lease term)
Gaming systems and equipment	10% or 33 1/3%
Video lottery and casino gaming terminals	14.3%
Furniture and equipment	10% or 20%
Retailer fixtures and signage	20%
Computer software	33 1/3%
Vehicles	20% or 33 1/3%

Property, plant and equipment are not amortized until the assets are put into use.

Pensions

The Commission participates in multi-employer pension plans with related government entities. Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for service related to prior years.

Revenue and Expense Recognition

Revenue from video lottery terminals, casino gaming terminals, electronic racing terminals and electronic bingo is recognized at the time that play has been completed and all machine credits have been played or converted to cash. Prizes, commissions and federal payments related to video lottery terminals, casino gaming terminals, electronic racing terminals and electronic bingo are recognized on the same basis as the related revenues.

On-line ticket lottery revenues are recognized at the date of the draw with instant ticket revenues being recognized at the date of sale to retail. Prizes, commissions and federal payments relating to ticket revenues are recognized on the same basis as the related revenues.

Revenue from the sale of liquor is recognized when goods are shipped and title has passed to the customer. Revenue received in advance of shipment is deferred and recognized when goods are shipped and title has passed to the customer. Cost of product sold for liquor is recognized on the same basis as the related revenues.

NOTE 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

Allocation of Operating Expenses

Operating expenses are allocated against provincial lottery revenue or liquor and other revenue, based on the nature of the expense.

NOTE 3 Cash

Cash consists of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high-quality, short-term securities and mid-term fixed income securities with a maximum term to maturity of three years. As at March 31, 2004, securities held by the CCITF have an average effective market yield of 2.11% per annum (March 31, 2003: 3.23% per annum). Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

NOTE 4 Prepaid Expenses and Inventories

(thousands of dollars)	2004	2003
Prepaid expenses	$ 6,531	$ 4,221
Gaming parts	4,532	3,338
Supplies	537	511
	$ 11,600	$ 8,070

NOTE 5 Property, Plant and Equipment

(thousands of dollars)			2004	2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 4,113	$ -	$ 4,113	$ 4,113
Buildings and leasehold improvements	51,047	39,379	11,668	11,928
Gaming systems and equipment	54,026	41,289	12,737	16,076
Casino gaming terminals	100,630	49,496	51,134	50,482
Video lottery terminals	96,400	18,342	78,058	1,131
Furniture and equipment	34,327	26,734	7,593	6,810
Retailer fixtures and signage	7,913	7,104	809	641
Computer software	6,595	3,398	3,197	3,131
Vehicles	2,849	1,760	1,089	821
	$ 357,900	$ 187,502	$ 170,398	$ 95,133

NOTE 6 Defined Benefit Plans

The Commission participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Commission also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $1,710,263 for the year ended March 31, 2004 (2003 - $1,303,915). The Commission's portion of the Western Canada Lottery Corporation pension expense is $228,168 for the year ended March 31, 2004 (2003 - $303,021).

At December 31, 2003, the Management Employees Pension Plan reported a deficiency of $290,014,000 (2002 - deficiency of $301,968,000) and the Public Service Pension Plan reported an actuarial deficiency of $596,213,000 (2002 - actuarial deficiency of $175,528,000). At December 31, 2003, the Supplementary Retirement Plan for Public Service Managers had an actuarial surplus of $9,312,000 (2002 – actuarial surplus of $6,472,000). The Commission's portion of the Western Canada Lottery Corporation deficiency as at March 31, 2004 is $15,716 (2003 - $519,547).

The Commission also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2004, the Bargaining Unit Plan reported an actuarial deficiency of $9,766,000 (2003 - $14,434,000) and the Management, Opted Out and Excluded Plan reported an actuarial surplus of $1,298,000 (2003 - actuarial deficiency of $3,053,000). The expense for these two plans is limited to employer's annual contributions for the year.

NOTE 7 Due to the Alberta Lottery Fund

This amount represents the portion of the revenues from lottery operations which has not been remitted to the Alberta Lottery Fund.

(thousands of dollars)		2004		2003
Due to the Alberta Lottery Fund, beginning of year	$	**38,537**	$	28,497
Remittable to the Alberta Lottery Fund		**1,125,194**		1,089,666
Remittances to the Alberta Lottery Fund		**(1,134,408)**		(1,079,626)
Due to the Alberta Lottery Fund, end of year	$	**29,323**	$	38,537

NOTE 8 Due to General Revenues

Due to General Revenues reflects the outstanding balance due to General Revenues from liquor operations and other income, as follows:

(thousands of dollars)		2004		2003
Due to General Revenues, beginning of year	$	**145,746**	$	137,509
Operating grant returned to General Revenues		**-**		(5,478)
		145,746		132,031
Net operating results for the year		**1,681,802**		1,624,381
Remittable to the Alberta Lottery Fund		**(1,125,194)**		(1,089,666)
Remittances to General Revenues		**(543,000)**		(521,000)
		13,608		13,715
Due to General Revenues, end of year	$	**159,354**	$	145,746

Amounts due to General Revenues are unsecured, non-interest bearing and have no specific terms of repayment.

NOTE 9 Budget

The Commission, in its annual business plan, includes its annual budget on a summarized basis. The summarized budget receives approval by the Minister of Gaming and becomes part of the estimates of the Government. The Government Estimates are approved by the Legislature.

NOTE 10 Commissions and Federal Payments

(thousands of dollars)	2004	2003
Commissions		
Video lottery terminals	$ 103,976	$ 106,722
Casino gaming and electronic racing terminals:		
- Operators	102,283	88,418
- Charities	95,076	81,124
Electronic bingo	1,377	-
Ticket lottery	30,531	30,551
	333,243	306,815
Federal Tax Expenses(a)		
Video lottery terminals	12,402	10,425
Casino gaming and electronic racing terminals	6,797	5,883
Electronic bingo	48	-
Ticket lottery	3,547	3,798
	22,794	20,106
Payment to Federal Government(b)	6,001	5,827
	$ 362,038	$ 332,748

(a) Taxes are paid to the Government of Canada in lieu of the Goods and Services Tax (GST) on ticket lottery, video lottery, casino gaming terminal and electronic bingo sales based on a prescribed formula. This tax is in addition to the GST paid on the purchase of goods and services for which credit is denied under the formula.

(b) This payment represents the Province of Alberta's share of payments to the Government of Canada as a result of an agreement between the provincial governments and the federal government on the withdrawal of the federal government from the lottery field. The payment is made by the Western Canada Lottery Corporation on behalf of Alberta, and is based on current population statistics and its share of ticket lottery sales.

NOTE 11 Other Income

(thousands of dollars)	2004	2003
Licences and permits	$ 5,862	$ 5,950
Interest revenue	3,470	3,082
Miscellaneous	1,280	1,789
Premises rental revenue	755	753
Retailer service fees	546	555
Liquor levies	507	585
Fines and violations	499	229
(Loss) Gain on disposal of property, plant and equipment	(50)	1,105
	$ 12,869	$ 14,048

NOTE 12 Operating Expenses

(thousands of dollars)		2004		2003
Salaries and benefits	$	34,689	$	30,245
Amortization		32,392		20,090
Leased gaming terminals		10,180		7,891
Data communications		8,251		7,717
Media and media production		7,453		6,698
Equipment and vehicles		6,145		6,813
Ticket printing		6,103		7,525
Fees and services		2,603		1,496
Property		2,473		2,403
Travel and training		2,101		1,685
Stationery and supplies		1,454		1,165
Freight and product delivery		1,322		1,296
Data processing		997		643
Insurance and bank charges		996		856
Miscellaneous		809		1,314
Retailer relations		699		544
Presentations and publications		112		79
Product expense		80		82
Overhead and other		(7)		(10)
	$	118,852	$	98,532

NOTE 13 Commitments

The Commission has a number of lease obligations, including regional offices, gaming warehouses and former retail liquor stores that operate under lease arrangements with terms ranging from one to 28 years. Most of these former properties have been sub-leased to third parties. The Commission remains liable for the leases should the sublessor default on their obligations to the Commission. The Commission's future minimum lease payments, including its proportionate share of the Western Canada Lottery Corporation commitments, is summarized as follows:

(thousands of dollars)		
2004-2005	$	1,713
2005-2006		1,491
2006-2007		1,309
2007-2008		1,166
2008-2009		896
Balance to expiry		4,815
	$	11,390

Estimated future revenues to be derived from sub-leases amount to $6.7 million at March 31, 2004. Provision for loss on leased properties has been made where the payments to be received on the sub-leases are less than the lease payments to be made.

NOTE 14 Contingencies

At March 31, 2004 the Commission is a defendant in 12 legal claims (2003 – 11 legal claims). Nine of these claims have specified amounts, and the remaining three have not specified any amount (2003 – nine claims with specified and two with no specified amount). Included in the total claims are seven claims in which the Commission has been jointly named with other entities.

In conjunction with the joint venture operating with the Western Canada Lottery Corporation, it is also noted that the Western Canada Lottery Corporation is a defendant in one legal claim, with a specified amount (2003 - three claims with a specified amount).

The resulting loss, if any, from these claims cannot be determined.

NOTE 15 Salaries and Benefits

				2004	2003
	Base Salary[a]	Other Cash Benefits[b]	Other Non-cash Benefits[c]	Total	Total
Senior Officers					
Chairman and CEO[d]	$ 76	$ 25	$ 5	$ 106	$ 101
Board Members	92	-	-	92	68
Executives					
Executive Director, Regulatory[e]	113	48	27	188	151
Executive Director, Gaming & Product Services	113	18	26	157	155
Executive Director, Information Systems	97	16	21	134	124
Executive Director, Finance & Administration	93	13	20	126	115

[a] Base salary includes regular base pay.

[b] Other cash benefits includes bonuses, vacation payouts, payments in place of pension participation, and lump sum payments.

[c] Other non-cash benefits include the Commission's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long term disability, professional memberships, and tuition fees.

[d] The Deputy Minister for Gaming also serves as the Chairman and CEO of the Alberta Gaming and Liquor Commission. A portion of the Deputy Minister's salary is allocated to the Alberta Gaming and Liquor Commission, representing the proportionate amount of time the Deputy Minister spends on Commission business. Full salary and benefits are disclosed in the Department of Gaming financial statements.

[e] This position was occupied by two individuals through the year.

NOTE 16 Joint Venture - Ticket Lottery Operations

The joint venture conducted by Western Canada Lottery Corporation is accounted for using the proportionate consolidation method. The Commission has included in its accounts the following aggregate amounts:

(thousands of dollars)		2004		2003
Balance Sheet				
Current assets	$	26,729	$	27,356
Property, plant and equipment		10,303		11,241
	$	37,032	$	38,597
Current liabilities	$	17,506	$	19,433
Investment in joint venture		19,526		19,164
	$	37,032	$	38,597
Statement of Operations				
Gross profit	$	173,065	$	174,696
Operating expenses		(23,823)		(23,966)
Net operating results	$	149,242	$	150,730
Statement of Cash Flow				
Cash from operations	$	152,739	$	148,544
Cash used for investment	$	1,035	$	5,453

NOTE 17 Related Party Transactions

The Commission had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. The amounts are not included in the financial statements.

(thousands of dollars)			2004	2003
	Expenses - Incurred by Others(a)			
	Accommodation Costs(b)	Legal Services(c)	Total Expenses	Total Expenses
Division				
Regulatory	$ -	$ 91	$ 91	$ 109
Commission Office	-	29	29	32
Gaming Products and Services	-	19	19	16
Finance and Administration	1	5	6	3
Human Resources	-	-	-	1
Information Systems	-	-	-	-
	$ 1	$ 144	$ 145	$ 161

(a) Costs incurred by Alberta Justice and Alberta Infrastructure on behalf of the Alberta Gaming and Liquor Commission.
(b) Net costs for Accommodation in St. Albert.
(c) Costs for Legal Services allocated on hours of service provided.

The Commission also had the following transactions with related parties recorded on the Statement of Operations at the amount of consideration agreed upon between the related parties:

(thousands of dollars)	
Alberta Corporate Service Centre	$ 174
Risk Management and Insurance	132
Alberta Infrastructure	17
	$ 323

Auditor's Report

AUDITOR
GENERAL
Alberta

To the Members of the Alberta Gaming and Liquor Commission

I have audited the balance sheet of the Alberta Lottery Fund as at March 31, 2004 and the statement of revenue, expenditure and fund equity for the year then ended. These financial statements are the responsibility of the management of the Alberta Lottery Fund. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Alberta Lottery Fund as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred Dunn, FCA
Auditor General

Edmonton, Alberta
May 21, 2004

Alberta Lottery Fund

Balance Sheet

March 31, 2004 (thousands of dollars)

	2004	2003
Assets		
Cash (Note 3)	$ 80,574	$ 86,465
Due from Alberta Gaming and Liquor Commission (Note 4)	29,323	38,537
	$ 109,897	$ 125,002
Liabilities And Fund Equity		
Accounts payable (Note 5)	$ 57,122	$ 72,227
Fund equity	52,775	52,775
	$ 109,897	$ 125,002

The accompanying notes are part of these financial statements.

APPROVED BY MANAGEMENT:

Norman C. Peterson, CA
Chairman and Chief Executive Officer
Alberta Gaming and Liquor Commission

H. Ronald Crosby, CA
Executive Director, Finance and Administration
Alberta Gaming and Liquor Commission

Alberta Lottery Fund

Statement of Revenue, Expenditure and Fund Equity

Year Ended March 31, 2004 (thousands of dollars)

		2004	2003
	Budget	Actual	Actual
	(Note 18)		
Revenue			
Proceeds from lottery operations (Note 6)	$ 1,093,229	$ 1,125,194	$ 1,089,666
Interest	6,000	6,917	8,592
Grant recoveries	-	5	167
	1,099,229	1,132,116	1,098,425
Expenditure			
Transfers to Departments			
Agriculture, Food and Rural Development (Note 7)	16,620	16,620	16,620
Children's Services (Note 8)	30,000	30,000	25,000
Community Development (Note 9)	76,105	72,105	56,256
Economic Development (Note 10)	14,100	14,100	14,100
Gaming (Note 11)	146,448	139,931	121,976
Health and Wellness (Note 12)	196,380	196,380	104,987
Infrastructure (Note 13)	145,000	145,000	105,000
Innovation and Science (Note 14)	127,497	127,497	185,144
Learning (Note 15)	116,400	116,400	84,100
Municipal Affairs (Note 16)	40,000	40,000	40,000
Transportation (Note 17)	95,000	95,000	65,000
Contingency Allowance / Alberta Sustainability Fund	95,679	139,083	280,242
	1,099,229	1,132,116	1,098,425
Excess of revenue over expenditure for the year	-	-	-
Fund equity, beginning of year	52,775	52,775	52,775
Transfers to General Revenues	-	-	-
Fund equity, end of year	$ 52,775	$ 52,775	$ 52,775

Alberta Lottery Fund

Notes to the Financial Statements

March 31, 2004 (thousands of dollars)

NOTE 1 Authority and Purpose

The Lottery Fund is administered by the Alberta Gaming and Liquor Commission (AGLC) under the Gaming and Liquor Act, Chapter G-1, Revised Statutes of Alberta 2000. The Lottery Fund receives the proceeds from lottery operations (see Note 6) and makes payments therefrom in the public interest in order to support thousands of volunteer, public and community-based initiatives.

The Appropriation Act, 2003 authorized payments from the Lottery Fund as approved in the 2003-2004 Estimates, and provided for flexibility in the amount applied from the Lottery Fund towards contingency allowance / Alberta Sustainability Fund so that the net revenue of the Lottery Fund would be zero at the year ended March 31, 2004.

The accountability and utilization of Lottery Fund amounts transferred to entities within the Government of Alberta may be determined and confirmed by referencing the respective departmental financial statements.

NOTE 2 Summary of Significant Accounting Policies

Cash Flow

A statement of cash flow is not provided as disclosure in these financial statements is considered to be adequate.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable and accounts payable are estimated to approximate their carrying values.

NOTE 3 Cash

Cash consists of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high-quality, short-term and mid-term fixed income securities with a maximum term to maturity of three years. As at March 31, 2004, securities held by the CCITF have an average effective market yield of 2.11% per annum (March 31, 2003: 3.23% per annum). Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

NOTE 4 Due From the Alberta Gaming and Liquor Commission

This amount represents the portion of the revenues from lottery operations which has not been remitted by the Alberta Gaming and Liquor Commission.

	2004	2003
Due from AGLC, beginning of year	$ 38,537	$ 28,497
Remittable from AGLC	1,125,194	1,089,666
Remittances from AGLC	(1,134,408)	(1,079,626)
Due from AGLC, end of year	$ 29,323	$ 38,537

NOTE 5 Accounts Payable

Accounts Payable consists primarily of outstanding payments to the Department of Finance for the Contingency Allowance/Alberta Sustainability Fund, with the balance largely representing outstanding net payments to the Department of Gaming.

Alberta Lottery Fund
Notes to the Financial Statements
March 31, 2004 (thousands of dollars)

NOTE 6 Proceeds from Lottery Operations

Proceeds of provincial lotteries received by the AGLC are recorded as revenue of the Fund, after the deduction of related operating expenses.

		2004		2003
Income from video lottery operations	$	577,252	$	594,456
Income from slot machines		478,800		405,165
Income from ticket lottery operations		171,610		174,696
Income from electronic bingo		1,260		-
Less gaming expenses		(103,728)		(84,651)
Proceeds from lottery operations	$	1,125,194	$	1,089,666

NOTE 7 Agriculture, Food and Rural Development

Transfers made to enhance improvement in agriculture, horticulture, and the quality of life in the agricultural community.

		2004		2003
Agriculture Initiatives	$	11,620	$	11,620
Agricultural Service Boards		5,000		5,000
	$	16,620	$	16,620

NOTE 8 Children's Services

Transfers made to support the family and community in Alberta.

		2004		2003
Family and community support services	$	30,000	$	25,000

Alberta Lottery Fund
Notes to the Financial Statements
March 31, 2004 (thousands of dollars)

NOTE 9 Community Development

Transfers made to support culture and multiculturalism, sports and recreation and municipal initiatives in Alberta comprise:

		2004		2003
Foundation for the Arts	$	29,034	$	21,104
Alberta Sport, Recreation, Parks and Wildlife Foundation		17,670		15,085
Wild Rose Foundation		7,766		6,550
Historical Resources Foundation		6,946		5,913
Volunteer Services		3,502		3,461
Arts Development		1,464		1,438
Edmonton Centennial		1,400		-
Hosting 2005 World Masters Games		1,300		-
Human Rights, Citizenship and Multiculturalism Education Fund		1,265		1,062
Sport and Recreation		1,158		1,143
Hosting Arctic Winter Games		500		500
Hosting 2007 Western Canada Games		100		-
	$	72,105	$	56,256

NOTE 10 Economic Development

Transfers made to support tourism in the province:

		2004		2003
International Marketing (Tourism)	$	7,500	$	8,450
In-Alberta / Regional Marketing		2,200		2,650
Visitor Support Services		2,100		-
Travel Alberta Secretariat		900		1,200
Tourism Destination Regions		800		1,800
Alberta Image Promotion		400		-
Tourism Research		200		-
	$	14,100	$	14,100

NOTE 11 Gaming

Transfers made to support gaming research, community initiatives and the volunteer sector throughout Alberta:

	2004	2003
Community Facility Enhancement Program	$ 38,500	$ 25,000
Racing Industry Renewal	37,000	33,000
Community Initiatives Program	30,000	30,000
Other Initiatives	13,088	10,116
Calgary Exhibition and Stampede	7,100	7,100
Edmonton Northlands	7,100	7,100
Major Fairs and Exhibitions	2,660	2,660
Bingo Associations	1,617	-
Alberta Gaming Research Institute	1,500	1,500
Edmonton Oilers Ticket Lottery	633	2,700
Calgary Flames Ticket Lottery	633	2,700
Alberta Gaming Research Council	100	100
	$ 139,931	$ 121,976

NOTE 12 Health and Wellness

The following transfers were made in support of health and wellness initiatives, including AADAC:

	2004	2003
Human Tissue and Blood Services	$ 130,000	$ -
Alberta Alcohol and Drug Abuse Commission (AADAC)	48,855	47,122
Community Based Health Services	10,000	-
Health Services Research	5,325	7,875
Aboriginal Health Strategies	2,200	2,200
Alberta Wellnet	-	22,598
Rural Initiatives (Physicians)	-	17,300
Health Innovation Fund	-	5,892
Alberta Wellness Initiative	-	2,000
	$ 196,380	$ 104,987

NOTE 13 Infrastructure

Transfers made to enhance support facilities for health care, education, and seniors in Alberta comprise:

		2004		2003
School Facilities	$	80,000	$	35,000
Health Care Facilities		50,000		50,000
Post-Secondary Facilities		15,000		10,000
Seniors Lodges		-		10,000
	$	145,000	$	105,000

NOTE 14 Innovation and Science

Transfers to support scientific and communication initiatives, including improved internet access, in Alberta comprise:

		2004		2003
Alberta SuperNet	$	60,700	$	121,800
Strategic and Research Investments Program		39,222		39,222
Informatics Circle of Research Excellence		10,000		10,000
Alberta Agricultural Research Institute		8,875		8,875
Alberta Energy Research Institute		6,940		3,487
Alberta Forestry Research Institute		1,760		1,760
	$	127,497	$	185,144

NOTE 15 Learning

Transfers made to enhance support for student transportation and community education:

		2004		2003
School Support - Transportation Subsidies	$	60,000	$	40,000
School Support - School Technology Upgrading		20,000		-
Community Education		18,900		18,900
School Support - High Speed Networking		6,000		6,000
Learning Television		4,600		8,100
School Support - Online Curriculum Repository		3,800		8,000
Achievement Scholarships		3,100		3,100
	$	116,400	$	84,100

NOTE 16 Municipal Affairs

Transfers were made to enhance support municipal initiatives in Alberta comprise:

		2004		2003
Unconditional Municipal Grants	$	28,000	$	28,000
Municipal Sponsorship		12,000		12,000
	$	40,000	$	40,000

NOTE 17 Transportation

Transfers were made to enhance support for trade corridors, infrastructure, transportation partnerships and water management:

		2004		2003
Rural Transportation Partnerships	$	35,000	$	15,000
Street Improvement Program		25,000		-
Municipal Water and Wastewater Grants		20,000		-
Water Management Infrastructure		15,000		15,000
North-South Trade Corridor		-		20,000
Infrastructure Canada / Alberta Program		-		15,000
	$	95,000	$	65,000

NOTE 18 Budget

The 2004 budgeted expenditures were authorized in total by the Appropriation Act, 2003.

NOTE 19 Comparative Figures

Certain 2003 figures have been reclassified to conform to the 2004 presentation.

Alberta Lottery Fund
Commitments 2004-2005
(thousands of dollars)

The Alberta Lottery Fund is the government's share of net revenues from ticket lotteries and electronic gaming such as VLTs and slot machines. Alberta Lottery Fund revenues are invested back into Alberta's communities through 13 Ministries and seven programs and foundations.

The Alberta Lottery Fund enhances the quality of life for all Albertans by supporting thousands of worthwhile volunteer, non-profit, public and community-based projects and initiatives.

Alberta Lottery Fund expenditures are approved annually by the Provincial Legislature. The following is a list of Alberta Lottery Fund Estimates for 2004-2005.

Agriculture, Food and Rural Development

Agricultural Service Boards	$	5,000
Agriculture Initiatives		11,620
		16,620

Children's Services

Family and Community Support Services	**30,000**

Community Development

Arts Development	1,503
Volunteer Services	3,580
Sport and Recreation	1,212
Hosting Major Athletic Events	1,800
Alberta Foundation for the Arts	30,034
Alberta Sport, Recreation, Parks and Wildlife Foundation	17,670
Wild Rose Foundation	7,766
Human Rights, Citizenship and Multiculturalism Education Fund	1,265
Edmonton 2004 Centennial	1,030
Alberta Historical Resources Foundation	6,946
Centennial Legacy Grants	13,000
	85,806

Economic Development

Travel Alberta Secretariat	900
In-Alberta / Regional Marketing	2,200
International Marketing	7,900
Alberta Image Promotion	400
Research	200
Visitor Support Services	2,500
	14,100

Alberta Lottery Fund
Commitments 2004-2005
(thousands of dollars)

Gaming

Alberta Gaming Research Institute	1,500
Alberta Gaming Research Council	100
Community Facility Enhancement Program	38,500
Community Initiatives Program	30,000
Edmonton Northlands	7,100
Calgary Exhibition and Stampede	7,100
Major Fairs and Exhibitions	2,660
Racing Industry Renewal	45,000
Edmonton Oilers Ticket Lottery	1,350
Calgary Flames Ticket Lottery	1,350
Bingo Associations	7,000
First Nations Development Fund	4,000
Other Initiatives	15,088
	160,748

Health and Wellness

Human Tissue and Blood Services	137,000
Health Services Research	5,325
Aboriginal Health Strategies	2,200
Community-Based Health Services	10,000
Alberta Alcohol and Drug Abuse Commission (AADAC)	54,749
	209,274

Human Resources and Employment

Disability Related Employment Supports	8,438
Summer Temporary Employment Program	8,195
	16,633

Infrastructure

Health Care Facilities	23,000
School Facilities	22,000
Post-Secondary Facilities	81,500
Seniors Lodges	6,000
Centennial Legacy Grants	12,500
Centennial Projects	20,000
	165,000

Alberta Lottery Fund
Commitments 2004-2005
(thousands of dollars)

Innovation and Science	
Alberta Energy Research Institute - Climate Change	6,000
Alberta Energy Research Institute - Energy Research Strategy	8,595
Alberta Agricultural Research Institute	8,675
Alberta Forestry Research Institute	2,510
Informatics Circle of Research Excellence	10,010
Alberta Science and Research Investment Program	33,495
Alberta SuperNet	41,000
	110,285

Learning	
School Support - Transportation Subsidies	60,400
High Speed Networking	4,000
Community Education	15,300
Learning Television	4,600
Immigrant Support Services	3,600
Achievement Scholarships	3,100
	91,000

Municipal Affairs	
Municipal Sponsorship	12,000
Unconditional Municipal Grants	12,000
	24,000

Transportation	
Rural Transportation Partnerships	30,000
Alberta Cities Transportation Partnerships	75,000
Streets Improvement Program	20,000
Municipal Water and Wastewater Grants	20,000
Infrastructure Canada / Alberta Program	5,000
Water Management Infrastructure	10,000
	160,000

Finance	
Transfer to Contingency Allowance	**84,365**
	$ **1,167,831**

Alberta Lottery Fund
Contact Information

For more information on the Alberta Lottery Fund and lottery grants, please visit our website at **www.albertalotteryfund.ca** or contact:

Alberta Lottery Fund
50 Corriveau Avenue
St. Albert, AB T8N 3T5
Phone: (780) 447-8600 (Dial 310-0000 for toll-free access)
Fax: (780) 447-8903
Email: feedback@albertalotteryfund.ca

The Alberta Lottery Fund provides grant funding for various community-based projects and initiatives through the following programs and foundations:

Alberta Foundation for the Arts – (780) 427-9968
Provides support to the development of the arts and film production sectors

Alberta Historical Resources Foundation – (780) 431-2300
Provides support to community-based heritage initiatives.

Alberta Sport, Recreation, Parks and Wildlife Foundation – (780) 415-1167
Provides support to sport, recreation, parks and wildlife activities.

Community Facility Enhancement Program – 1 (800) 642-3855
Provides support to the expansion and upgrading of Alberta's extensive network of community-use facilities.

Community Initiatives Program – 1 (800) 642-3855
Provides support for project-based initiatives in areas such as community services, seniors' services, libraries, arts and culture, sports, education, health and recreation.

Human Rights, Citizenship and Multiculturalism Education Fund – (780) 427-3116
Provides support to organizations wishing to foster equality and reduce discrimination.

Wild Rose Foundation – (780) 422-9305
Provides support to the volunteer sector.

Alphabetical List of Entities' Financial Statements in Ministry 2003-04 Annual Reports

Entities Included in the Consolidated Government Reporting Entity

Ministry, Department, Fund or Agency	Ministry Annual Report
Agriculture Financial Services Corporation[1]	Agriculture, Food and Rural Development
Alberta Alcohol and Drug Abuse Commission	Health and Wellness
Alberta Capital Finance Authority	Finance
Alberta Dairy Control Board[1]	Agriculture, Food and Rural Development
Alberta Energy and Utilities Board	Energy
Alberta Foundation for the Arts	Community Development
Alberta Gaming and Liquor Commission	Gaming
Alberta Government Telephones Commission	Finance
Alberta Heritage Foundation for Medical Research Endowment Fund	Revenue
Alberta Heritage Savings Trust Fund	Revenue
Alberta Heritage Scholarship Fund	Revenue
Alberta Heritage Science and Engineering Research Endowment Fund	Revenue
Alberta Historical Resources Foundation	Community Development
Alberta Insurance Council	Finance
Alberta Pensions Administration Corporation	Finance
Alberta Petroleum Marketing Commission	Energy
Alberta Research Council Inc.	Innovation and Science
Alberta Risk Management Fund	Revenue
Alberta School Foundation Fund	Learning
Alberta Science and Research Authority	Innovation and Science
Alberta Securities Commission	Revenue
Alberta Social Housing Corporation	Seniors
Alberta Sport, Recreation, Parks and Wildlife Foundation	Community Development
Alberta Treasury Branches	Finance
ATB Investment Services Inc.	Finance
Child and Family Services Authorities:	Children's Services
Calgary and Area Child and Family Services Authority	
Central Alberta Child and Family Services Authority	
East Central Alberta Child and Family Services Authority	
Edmonton and Area Child and Family Services Authority	
North Central Alberta Child and Family Services Authority	
Northeast Alberta Child and Family Services Authority	
Northwest Alberta Child and Family Services Authority	
Southeast Alberta Child and Family Services Authority	
Southwest Alberta Child and Family Services Authority	
Metis Settlements Child and Family Services Authority	
Credit Union Deposit Guarantee Corporation	Finance
Crop Reinsurance Fund of Alberta	Agriculture, Food and Rural Development
Department of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Department of Children's Services	Children's Services
Department of Community Development	Community Development
Department of Energy	Energy
Department of Finance	Finance
Department of Gaming	Gaming
Department of Health and Wellness	Health and Wellness
Department of Innovation and Science	Innovation and Science
Department of Learning	Learning
Department of Revenue	Revenue
Department of Seniors	Seniors

Alphabetical List of Entities' Financial Statements in Ministry 2003-04 Annual Reports

Entities Included in the Consolidated Government Reporting Entity

Ministry, Department, Fund or Agency	Ministry Annual Report
Department of Solicitor General	Solicitor General
Department of Sustainable Resource Development	Sustainable Resource Development
Environmental Protection and Enhancement Fund	Sustainable Resource Development
Gainers Inc.	Finance
Government House Foundation	Community Development
Historic Resources Fund	Community Development
Human Rights, Citizenship and Multiculturalism Education Fund	Community Development
iCORE Inc.	Innovation and Science
Lottery Fund	Gaming
Ministry of Aboriginal Affairs and Northern Development[1]	Aboriginal Affairs and Northern Development
Ministry of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Ministry of Children's Services	Children's Services
Ministry of Community Development	Community Development
Ministry of Economic Development[1]	Economic Development
Ministry of Energy	Energy
Ministry of Environment[1]	Environment
Ministry of Finance	Finance
Ministry of Executive Council[1]	Executive Council
Ministry of Gaming	Gaming
Ministry of Government Services[1]	Government Services
Ministry of Health and Wellness	Health and Wellness
Ministry of Human Resources and Employment[1]	Human Resources and Employment
Ministry of Infrastructure[1]	Infrastructure
Ministry of Innovation and Science	Innovation and Science
Ministry of International and Intergovernmental Relations[1]	International and Intergovernmental Relations
Ministry of Justice[1]	Justice
Ministry of Learning	Learning
Ministry of Municipal Affairs[1]	Municipal Affairs
Ministry of Revenue	Revenue
Ministry of Seniors	Seniors
Ministry of Solicitor General	Solicitor General
Ministry of Sustainable Resource Development	Sustainable Resource Development
Ministry of Transportation[1]	Transportation
N.A. Properties (1994) Ltd.	Finance
Natural Resources Conservation Board	Sustainable Resource Development
Persons with Developmental Disabilities Boards:	Community Development
Calgary Region Community Board	
Central Region Community Board	
Edmonton Region Community Board	
Northeast Region Community Board	
Northwest Region Community Board	
Provincial Board	
South Region Community Board	
Provincial Judges and Masters in Chambers Reserve Fund	Finance
Supplementary Retirement Plan Reserve Fund[1]	Finance
Victims of Crime Fund	Solicitor General
Wild Rose Foundation	Community Development

Alphabetical List of Entities' Financial Statements in Ministry 2003-04 Annual Reports

Entities Not Included in the Consolidated Government Reporting Entity

Ministry, Department, Fund or Agency	Ministry Annual Report
Alberta Cancer Board	Health and Wellness
Alberta Foundation for Health Research	Innovation and Science
Alberta Heritage Foundation for Medical Research	Innovation and Science
Alberta Heritage Foundation for Science and Engineering Research	Innovation and Science
Alberta Mental Health Board	Health and Wellness
Alberta Teachers' Retirement Fund Board	Learning
Improvement Districts' Trust Account	Municipal Affairs
Local Authorities Pension Plan	Finance
Long-Term Disability Income Continuance Plan - Bargaining Unit	Human Resources and Employment
Long-Term Disability Income Continuance Plan - Management, Opted Out and Excluded	Human Resources and Employment
Management Employees Pension Plan	Finance
Provincial Judges and Masters in Chambers Pension Plan	Finance
Public Post Secondary Institutions	Learning
Public Service Management (Closed Membership) Pension Plan	Finance
Public Service Pension Plan	Finance
Regional Health Authorities	Health and Wellness
School Boards	Learning
Special Areas Trust Account	Municipal Affairs
Special Forces Pension Plan	Finance
Supplementary Retirement Plan for Provincial Judges and Masters in Chambers	Finance
Supplementary Retirement Plan for Public Service Managers	Finance
Workers' Compensation Board	Human Resources and Employment

Additional copies of this annual report may be obtained from:

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Alberta Gaming
50 Corriveau Avenue
St. Albert, Alberta T8N 3T5

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Toll free: 1-800-272-8876
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This report may be viewed on the Alberta Gaming website: at **www.gaming.gov.ab.ca**

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Alberta Advantage

ALBERTA
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